The NATIONAL UNDERWRITER

Life Insurance Edition

FRIDAY, DECEMBER 7, 1951

Bill D. is no plastic surgeon, BUT...

Bill D. wouldn't know a *scalpel* from a *speculum*, but he's an expert at lifting a worried look off a face and replacing it with one of contentment.

For Bill, you see, is an Equitable Society representative. And over a long period of years he's studied how to change the complexions of lots of things—

- **HE'S HELPED EMPLOYERS** gain the loyalty and friendship of their workers with Equitable Group Insurance.
- **HE'S HELPED HOME OWNERS** pay off their mortgages with the Assured Home Ownership Plan.
- **HE'S HELPED FATHERS** send their children through school and make the futures of their families safe.

His experience has taught Bill that the right medicine to produce a carefree grin is the right Equitable policy. And perhaps that's why he's so happy with his work.

For day after day he performs a service to his community that helps make it a better place to live in. Yes, though Bill D's not a medical man, scores of folks in town will tell you—his advice on insurance is "just what the doctor ordered".

One of a series of advertisements illustrating how a representative of The Equitable Life Assurance Society serves his community by selling life insurance.

★ ★ ★

LISTEN TO "THIS IS YOUR FBI"... official crime-prevention broadcasts from the files of the Federal Bureau of Investigation... another public-service contribution sponsored in his community by The Equitable Society Representative.

EVERY FRIDAY NIGHT • ABC NETWORK

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

THOMAS I. PARKINSON, *President*
393 Seventh Avenue, New York 1, N. Y.

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LIFE INSURANCE EDITION

The NATIONAL UNDERWRITER

December 7, 1951
55th Year, No. 49

Committee Hammers Cost Question at Sec. 213 Hearing

Polite But Insistent; Concerned at Exaggerated Estimates in Daily Press

By ROBERT B. MITCHELL

NEW YORK—"How much will it cost the policyholders?" was the question that the Condon committee of the New York legislature kept throwing at witness after witness at its two-day hearing here on the proposal to modernize New York's antiquated expense limitation statute.

The questioners, particularly Senator Friedman of Brooklyn, kept referring to an article earlier in the week in the New York World-Telegram & Sun that quoted unidentified but allegedly authoritative sources to the effect that the proposed change would cost New York state's policyholders around $20 million a year and perhaps as much as $70 million.

Willing to Be Convinced

The committee was quite willing to be convinced that this was a grossly exaggerated estimate but they wanted somebody on the company or agents' side of the fence to come up with some kind of estimate as to what the increase might be expected to amount to.

Obviously, the committee members were thinking of future headlines even more sensational than the Telegram's. Like maybe, "Solons OK Gouge by Risk Firms." It was obvious that they wanted not only a surmise as to the probable increase in cost, if any, but some supporting figures that could be defended as soundly based.

None of the insurance people were at all keen to get out on this particular limb. The obvious reason, of course, was that so many different factors are involved that not even the seventh son of a seventh son, gazing into a souped-up crystal ball, could pretend to make any sort of accurate prediction, particularly if he had to give accurate figures to back it up.

Bleakley, Friedman Quizmasters

At the opening session, Senator Friedman and the committee's counsel, Paul L. Bleakley, did most of the questioning. Friedman, who has long served on legislative insurance committees, and has on occasion taken an extremely tough attitude, was notably courteous and sympathetic in his questioning.

Nevertheless, he kept coming back repeatedly to the question of how much it would probably cost the policyholders. He didn't want to discuss the reasonableness of a proposed increase in cost or in compensation until he was given some idea of how much the cost would be, if any. At the same time, he acted as if he would be quite sympathetic toward a reasonable increase in compensation to agents and in expense limits for companies, especially the smaller ones, even though it might mean a moderate increase in cost to the public.

No representative of the New York department testified, but the department

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DRAFT TENTATIVE AGREEMENT ON WAR CATASTROPHE POOLING

With the drafting of a tentative form of pooling agreement to cover the war catastrophe death hazard, the life insurance companies have taken the first formal step in setting up a program to protect against possible loss from atomic bombing or other enemy action which might take a heavy toll of civilian lives within the U. S. or its possessions.

The agreement form has gone to a number of company heads for their study and comment and the plan was presented Tuesday to the life committee of National Assn. of Insurance Commissioners, for their consideration in principle by Ray Murphy of Equitable Society and chairman of the committee. The plan was formulated as a result of more than a year's work under the auspices of the joint committee on war problems of Life Insurance Assn. of America and American Life Convention. It would spread the losses incurred by such acts of war, up to a specified limit, among the subscribing companies in proportion to their volume of risks within the home area.

Murphy Explains Plan

"The plan does not provide a means of meeting death claims in the event of widespread atomic bombing which devastates the country," Mr. Murphy said. "No means can be provided for a condition of general chaos that would separate the life companies from the fate of the general economy. The plan has been devised, however, to give a greater action, without recourse to government, in case of a more limited tragedy."

It is estimated by the committee that possible catastrophe claims of $1,250,000,000 annually, in addition to normal losses, might be shared through the pool as proposed, if practically all companies in the country cooperate in it. It is estimated that this would probably cover some 400,000 policyholder deaths annually and that would probably reflect total civilian catastrophe deaths of about 800,000 annually.

At the N.A.I.C. plenary session Wednesday afternoon a resolution was adopted expressing general approval of the pooling agreement proposal relating to possible effects of atomic warfare on the life companies mortality experience submitted by the joint industry committee on war problems, provided however that this expression shall not be construed as passing upon detailed problems relating to authority or procedure for possible participation by companies.

Under the pooling agreement as approved by the committee, three separate pools are set up to cover separately ordinary life insurance, group life, and industrial. Each plan has its particular problems and the special risk is kept on a common basis by those participating in each pool.

The plan would become effective at a date to be decided by the presidents of the two associations, provided 100 or more companies have signed and a substantial part of the insurance in force is represented by the signatory companies.

Governing Committee to Be Named

A governing committee of 12 would be appointed jointly by the two associations, made up of high executives of signatory companies which are members of the associations. This committee will govern the pool and will act as a board of arbitration with respect to any possible claims. A pool manager would be named to actively direct operations.

The pooling agreement itself, when it is in final form, as it will be shortly, must still be approved by the governing bodies of the two associations before it is presented to the individual companies for their final decisions whether to participate in it.

Mr. Murphy said it is proposed that the maximum obligation of a subscribing company would be to pay over to the pool an amount of $5 per thousand on net amount at risk. That amount was selected because of the 500 odd life companies in the country only four do not have that much surplus in relation to insurance in force. If $10 or $15 were used, it would overreach the surplus of many companies.

Fischer of Iowa inquired whether this is something on which N.A.I.C. should take action. Mr. Murphy vouchsafed that the commissioners at least should say that they can find no reason why the companies should not proceed to organize this plan. A company that might be hesitating might well be swayed to sign up if its home state commissioner was constructively disposed toward the idea.

C. F. J. Harrington, former Massachusetts commissioner, speaking as a policyholder, praised the companies for this manifestation of private responsibility in tackling a major problem without recourse to government aid.

Gaffney of New Jersey also commended the undertaking, saying it shows a splendid effort partially to meet what may prove to be a dreadful emergency.

Plan Previewed by Glenn

The previous day Henry Glenn of Life Insurance Assn. of America gave the war clause subcommittee a preview of the Murphy committee plan. At the same time he entered a plea for a revision of the statement of principles on war clauses so as to eliminate the home area concept from the result type of war clause, and that consideration be given to a recommendation to the states for approval of civilian war exclusion riders to be incorporated in newly issued policies and for statutory changes to permit this. He pointed out that the destructive force of modern warfare if employed within the confines of this country might result in mass destruction of the civilian population and in incurring of liabilities which are not contemplated by the premiums charged and are incapable of calculation according to actuarial principles.

The subcommittee voted to recommend the war clause revision requested by Mr. Glenn. It said it recognizes that "where death results from war or an act of war there is no real difference in the war hazard, whether death occurs outside the home area or within the home area."

The maximum yearly contribution of any company would be $5 per $1,000 of net amount at risk, that is, the face

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Full Text of Section 213 Revision Presented

Because of the widespread interest in the proposed revision of section 213, the expense limitation section of the New York insurance law, The National Underwriter this week is printing the full text of the proposed article IX-F that the companies' committee has drafted to supersede section 213. It is on page 2.

Much Solid Work Done by N.A.I.C. at New York Meeting

Life Companies' Atomic Pool Gets Limelight; to Vote in Closed Session

By LEVERING CARTWRIGHT

NEW YORK—The midwinter meeting of National Assn. of Insurance Commissioners was brought to a close Wednesday after four days of solid business-like deliberations. There was an absence of fireworks or of any consuming or predominant topic or issue. However, the convention did make some daily newspaper headlines on the tentative proposal of the life companies to commit themselves to a pooling scheme intended to diffuse the fiscal blow of atomic destruction of human life, and on the luncheon speech Tuesday of Lewis Douglas, chairman of Mutual Life, warning that our anxiety to become invulnerable to danger from without may impair the sources from which our strength is derived.

Lewis Douglas

The present commissioners constitute a matter-of-fact, sobersides crop, competent, attentive to the task at hand, but lacking in imaginative drive to dramatize problems and create new supervisory goals. They are longer on ears than on tongue and as result the committee sessions move along decisively and quickly if not with sparkle and accent.

The camp followers are henceforth, it appears, going to be deprived of the show that accompanies the occasional balloting on a supercharged issue, for, on motion of Allyn of Connecticut, the association decided hereafter to do its voting in executive session. N.A.I.C. appears to be on the verge of overhauling its procedure in several ways. There were some discussions at New York that point in this direction.

Sunday has now become a regular, full working convention day in the scheme of things. It used to be a day for hanging around with feet on the ground, the executive committee holding a brief session in the afternoon, and then cocktails, etc., but this time were four committee sessions in the morning and as many in the afternoon.

Besides the luncheon Tuesday for the entire group plus a large turnout of New Yorkers. There was a smaller luncheon gathering Monday of Passe Club International, this being the lodge of former commissioners that is carefully nurtured by M. J. Harrison of Little Rock, the celebrated receiver of Better Way Life, who is president of Passe, and by Howard Brace of Occidental Life of California, permanent international supreme secretary of Passe. Mr. Brace gave a particularly chop licking report because 1951 has been Passe's banner year with 15 official heads having fallen. C. C. Fraizer of H. & A. Underwriters Conference was

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Full Text of New Draft of Section 213 Revision Given

NEW YORK—Because of the widespread interest in the proposed revision of New York's expense limitation statute, THE NATIONAL UNDERWRITER is printing herewith the full text of the draft bill prepared by the joint committee of Life Insurance Assn. of America and American Life Convention, headed by President James A McLain of Guardian Life. It has been tentatively designated section IX-F and would take the place of present section 213.

In the March 9, 1951, issue, THE NATIONAL UNDERWRITER printed the full text of senate introductory bill 2257, which was introduced in the New York legislature by Senator Condon of Yonkers, chairman of the joint legislative committee having jurisdiction over the revision of section 213. That bill was based on the companies' draft submitted the previous September but with an additional provision for security benefits over and above the commission limitation to soliciting agents.

Sponsored by N.A.L.U.

The bill was introduced at the instance of National Assn. of Life Underwriters. While it was introduced so close to adjournment that it was known there would be no chance of its being acted upon, the bill served to focus attention on the proposal and to get it in the works for the 1952 legislative session.

The version which the companies' committee submitted at the Condon committee meeting last week in New York City on section 213 revision contains quite a few changes from the September, 1950, version although most of the changes are minor. Like the companies' earlier version, it contains no specific security benefits provision. Some of these changes are these:

The word "agent" has been replaced by "person located in an agency office" in order to make the definition of "agency manager" include the rare case of an agency manager who is not a licensed agent.

Limit on Old Contracts

Old contracts with agents of companies not previously licensed in New York but entering the state under article IX-F's provision can continue in effect even though they do not comply with article IX-F but if an agent with such a contract becomes licensed in New York he will be subject to the New York limits.

In section 302 of the proposed law, covering evidence to be submitted when approval is sought for a new compensation plan for agents, wording has been added to require such evidence to be compiled in a manner satisfactory to the insurance sueprintendent and to state what must be included in the evidence.

Where the words "six-tenths" are shown in subsection 3 of section 302 the figure was formerly "two-thirds."

The limit on individual renewal commissions has been changed from 20% to 15%, with the superintendent being given authority to permit a company to exceed the 15% limit. Limits on commissions for the first two years and the first three years of a policy have been added.

FIRST COMMISSIONS

In subsection 7 of section 302 the first-year commission limit has been changed from 55% of first year premiums to 55% less 20% of the excess over the whole life premium.

There is a new provision prohibiting increases in compensation on policies issued before the effective date of article IX-F without the department's approval. The superintendent would be allowed to take into account the limits established by present section 213 in considering the approval of such increases.

The new draft makes it clear that increases in compensation may be paid with respect to any agent only on policies written or currently serviced by him. It has been made inapplicable to monthly debit policies since they are covered in other sections of the article.

Agency expenses have been broadened to include loans and advances to agency manager (as distinguished from loans and advances to agents) and special payments with respect to military service of agents and of all persons whose compensation is treated as agency expense.

The earlier IX-F draft provided that as an alternative criterion for general expenses a company could use the general expenses of the current year and the two preceding years. The new draft changes this to the current year and preceding year.

Limit on Relief Provision

Wording has been added to make the relief provision of section 305 available only if the superintendent is satisfied that the business of a company is being properly and economically conducted. A new paragraph permits the superintendent to waive the amount by which the company's expenses have exceeded this expense limit during the first year of the two-year period involved.

The new draft adds a penalty section (307) which provides that any person who willfully violates the provision of article IX-F shall, in addition to all other penalties provided by law, be liable for a penalty not to exceed $1,000 for each violation.

THE NATIONAL UNDERWRITER suggests that because the revision of section 213 will be much in the news, readers who are interested clip out the text and save it for future reference.

§300. Application of Article

This article shall apply to the business of life insurance and annuities as specified in paragraphs one and two of section 46 excluding (1) industrial life insurance, (2) group life insurance, (3) group annuities and (4) monthly debit life insurance issued after Dec. 31, 1938, in amounts of less than $1,000, except that sections 301 and 302 shall apply to such monthly debit life insurance other than industrial life insurance.

§301. Definitions and Special Provisions

1. Wherever used in this article the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Agent" shall mean an insurance agent as defined in section 110 or an insurance broker as defined in section 111.

(b) "Agency manager" shall mean a person located in an agency office who supervises agents or has the right to appoint them, whether or not such appointments are subject to the approval of the company.

(c) "Agency office" shall mean an office other than a home office, the principal activities of which are the sale of insurance, service to policyholders, or collection of premiums. Regional home offices and foreign offices shall be considered agency offices only to the extent that they perform functions which are customarily performed in the agency offices of the company.

(d) "Commuted value" shall mean the value at the commencement of an insurance policy or annuity contract, unless some other time is indicated, of a present or future payment, or a series of such payments.

(e) "Company" shall mean a domestic life insurance company, a foreign life insurance company doing other than a reinsurance business in this state, or the United States branch of an alien life insurance company doing other than a reinsurance business in this state.

(f) "Debit insurance" shall mean life insurance with premiums payable monthly or more frequently normally collectible by an agency force organized to make systematic house to house collection of premiums.

(g) "Premium" shall mean any consideration charged for an insurance policy.

(h) "Security benefits" shall mean pensions, death benefits, accident and health benefits and similar benefits provided by the company whether by insurance or otherwise. The "cost" of such benefits in any calendar year shall mean: (1) in the case of non-contractual benefits, the actual payments; (2) in the case of contractual benefits, the current annual cost to the company, excluding interest, if any, of providing for benefits based on service for the current year.

(i) "Stipulated payment" shall mean any consideration charged for an annuity contract.

Special Rules

2. For the purposes of this article

(a) reinsurance assumed shall be excluded and reinsurance ceded shall not be deducted in computing expenses and expense limits;

(b) whole life or endowment insurance preceded by term insurance converted as of attained age shall be considered as new insurance;

(c) increases in premiums or stipulated payments after the first year of the policy or annuity contract shall be considered as first year premiums or stipulated payments and commissions thereon as first year commissions for the year in which such increases take effect;

(d) compensation or security benefits for agents shall mean compensation or security benefits based upon service as an agent, and compensation or security benefits for agency managers shall mean compensation or security benefits based upon service as an agency manager as distinguished from compensation or security benefits, if any, paid to or provided for the same individual based upon his service as an agent;

Prohibition Includes Agreements

(e) wherever an act or an expense, loan, advance or other outlay is prohibited to a company, such prohibition shall include any agreement to perform such act or to pay, make or incur such expense, loan, advance or other outlay and shall apply not only to the company but to all persons acting on its behalf or under any agreement with it or with its permission;

(f) wherever the amount of insurance is referred to, it shall not include the amount of any benefits payable only in the event of the insured's disablement or only in the event of the insured's death by accident or accidental means. The amount of insurance for a policy issued on the life of a child under age 15 shall be taken as the amount provided by the policy at age 15 or at expiry, if earlier. The amount of new life insurance for any other policy, or rider attached thereto, shall be the initial amount, except that for a policy or rider providing insurance varying more than once during its duration, it shall be as determined by the company with the approval of the superintendent.

Advance Agreements

3. No company shall pay for procuring an application for a policy or annuity contract, for collecting any premium or stipulated payment thereon or for any other service performed in connection therewith any compensation greater than that which has been determined by agreement in writing made in advance of the payment of the premium or stipulated payment upon which such compensation is dependent or, in the case of monthly debit insurance, in advance of the rendering of the service.

4. To the extent that interest rates, policy discontinuance rates and agent discontinuance rates are required for the computation of a commuted value, the computations of all companies shall be made on the basis of uniform rates promulgated by the superintendent from time to time. Interest at 3% compounded annually, Linton "A" policy discontinuance rates and McConney-Guest modified agent discontinuance rates shall be used until other bases are promulgated by the superintendent. The promulgation of revised rates shall not require changes in then existing contracts with agents or agency managers. Any other factors required for the computation of a commuted value shall be determined by the company with the approval of the superintendent.

Contracts to Be Self-Supporting

5. No company shall issue any policy or annuity contract which shall not appear to be self-supporting on reasonable assumptions as to interest, mortality and expense.

6. No company shall pay any bonus, prize or reward or any increased or additional commissions or other compensation of any kind whatsoever based upon the volume of any new business or the aggregate number of policies or annuity contracts written or paid for; provided, however, that a company may condition the allowance or payment in whole or in part of commissions for years after the first year of policies or annuity contracts or other compensation or security benefits for such years upon the efficiency of service of the person receiving the same or upon the amount and quality of the business renewed under his supervision. Nothing contained in this subsection shall be construed as prohibiting the institution of contests or competitions among agents, and the recognition of success in such competitions by the awarding of tokens having small intrinsic

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New Scrutiny of Group A. & H. by N.A.I.C. Sought

Especial Attention to Need for Contingency Reserves Urged

NEW YORK—An appeal to N.A.I.C. to put the supervisory glass on the goings on in the group A. & H. field and to focus on the question of the advisability of prescribing more definite contingency reserves for such business was made here Tuesday morning by Victor A. Lutnicki, associate counsel of John Hancock Mutual Life. He made the presentation at the meeting of the N.A.I.C. life committee.

He emphasized at the outset the size and rate of growth of group A. & H. to indicate how serious the problem can be. During the past 10 years group A. & H. writings have gone up from $80 million to $600 million. Prior to that period the life companies looked on A. & H. as a by-product of their group life activity but last year for the first time group A. & H. premiums written by life companies exceeded their group life premium income. Group A. & H. now constitutes a very significant part of the premium income and the total risk insured by the companies writing this line.

At the plenary session Wednesday afternoon it was decided to appoint a subcommittee to ponder matters introduced by Mr. Lutnicki, consisting of Bohlinger of New York, chairman; Allyn of Connecticut and Navarre of Michigan. They are to report in June.

Reexamination Is in Order

Reexamination of this as an independent line on an entirely self-supporting basis, and with adequate provision for abnormal experience, is in order. Compulsory A. & H. proposals have challenged the industry to demonstrate its ability to fully serve this need or surrender its responsibility to the government. It is to the credit of the industry that in response to this challenge, more and more companies are entering the field and all companies are experimenting with new techniques for more completely covering the risks. The entrance of new companies into this field creates new pressures within the business and extensive experimental operations create new contingencies that have yet to be tested by experience.

Mention should be made, he said, of the new and unfamiliar contingencies presented by state compulsory cash sickness laws. For example, the extension of coverage thereunder to the unemployed disabled involves elements of unemployment insurance. These pressures and contingencies are deserving of careful attention if the needs of the current situation are to be met entirely from within this line of business and are not to be passed on to other lines of business in instances where such a transfer would be improper.

Rearmament and Inflation

Rearmament and the inflationary spiral is having a marked effect on group A. & H. gain and loss figures. Rearmament is bringing a large number of temporary and submarginal workers into employment. The morbidity experience on these groups during the last war was considerably above normal. A recurrence of this bad experience can

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Consider Moving N.A.L.U. Offices

Further consideration of the question of relocating the headquarters of National Assn. of Life Underwriters is reported to be on the agenda for the meeting of the N. A. L. U. executive committee that is scheduled for next Tuesday.

The weight of opinion appears to be swinging more and more toward keeping the headquarters in the New York City area but moving to a suburban location from the present site in midtown New York.

The executive committee consists of the association's four elected officers, the immediate past president, and the managing director.

Most of Examination Manual Revision Report Approved

NEW YORK—The examinations committee of N.A.I.C. voted to approve the manual revision report of the subcommittee headed by Hooker of Connecticut, with four exceptions. The one of most interest to the industry was that which would have called for a showing in examination reports of salaries of fire and casualty company executives and directors.

Also, the handling of the reporting of developments in a company after the examination is completed was left as it has been. A proposal for qualifying examiners was excepted from committee approval.

A fourth item was a resolution covering a point that had been raised by the New York department. The committee went along with the latter's idea that the contents of an examination cannot be disclosed except to commissioners until it is filed.

Blanks Meeting Sets Speed Mark

The National Assn. of Insurance Commissioners committee on blanks held what may have been the shortest meeting of all the sessions at the N.A.I.C. meeting in New York.

J. R. Lange, Wisconsin, vice-chairman of the blanks committee, substituted for Robinson of Ohio who had another engagement. He called the meeting to order and announced that the committee had nothing on its agenda, and asked if the industry had anything to report. There were no responses and he declared the meeting adjourned.

The blanks committee has adopted a new blank for life companies which will be used for the first time this year and completed other major projects at its recent meetings, leaving it temporarily with no big problems to discuss.

Crichton Hints He May Resign in May, 1952

Commissioner Robert A. Crichton of West Virginia, addressing a new regional insurance organization, Southeast West Virginia Insurance Club, said that he is planning to resign next May. "I am not a professional politician," he said, "and when I took this job I only planned to stay three years. He was appointed in May, 1949.

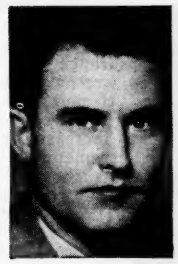
Travelers Ups Employe Pay

The Travelers companies have announced salary increases for their some 12,000 employes in the United States and Canada. The increases, effective immediately, were made on an individual basis. The companies followed their customary practice of giving raises determined by consideration of each employe's work and responsibility.

Hull Calls Training Allowances Vital to Salary Plans

Section 213 Causes Many Good Men to Leave Business, He Says

NEW YORK—Roger Hull, executive vice-president of Mutual Life, stressed the necessity of training allowances in his testimony at the Condon committee hearing in New York City in connection with the proposed revision of section 213 of the New York law.



Roger Hull

Mr. Hull said that the present necessity of taking training expenses out of first year commissions forces many companies to pay their established agents less than they otherwise could.

A second major objection to most salary plans under the present law is that they require the use of both first year and renewal compensation in order to support the salaries. Thus, the agent reaches the end of his training period, whether two or three years, with few or no renewal commissions payable. Except for the experience he has gained he is no better off than the day he started in the business. This creates great difficulties in the transition period and results in many men leaving the business who might otherwise survive, said Mr. Hull.

Deferred Feature Unique

The life insurance business is unique in that approximately half of the total compensation is deferred and usually spread over a period of 10 years or longer, said Mr. Hull. Thus, under present compensation plans for new agents, the very feature which lends stability of income to the established agent is taken away from the new man at a crucial point in his career. One of the great difficulties all life companies have faced is trying to bring the new agent through the transition period from a salary plan to a straight commission basis.

"We believe that the law should permit companies to pay new salesmen an income adequate to live on while they are learning the business without thereby reducing the compensation of the existing sales force and without mortgaging the new man's future," Mr. Hull declared. "The expense of training new men is, in essence, a management expense and therefore more properly belongs under the limitations of general agency expenses rather than under the compensation limits."

20-Year-Old Design

Mr. Hull said that the present limit on agency margins for branch office companies was designed more than 20 years ago and under today's conditions is unrealistic and places too much emphasis on business already in force and insufficient emphasis on new business. The result is that the margin under this limit is too liberal for a company writing relatively little new business and too low for a company that is growing at a healthy rate.

Under the new law, the agency expense limit differs from the present law mainly in excluding agents' commissions, which are governed by a separate provision. The formula for the agency

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A. & H. SESSION OF N.A.I.C.

VA Reimbursement Quest Provides Hot Session

NEW YORK—Heat was engendered Tuesday afternoon at the A. & H. committee meeting of National Assn. of Insurance Commissioners here on the matter of veterans administration seeking to collect from insurers under expense reimbursement contracts assigned to VA by veterans receiving VA hospitalization for non-service connected ills.

F. J. Frankina, program analyst of VA staff department of medicine and surgery, read a statement that contained references which insurance representatives took as slurs. And Mr. Frankina ended with some impassioned remarks to the effect that the insurance companies better beware the wrath of 18 million well organized veterans. He seemed in this connection to be referring to clauses that are increasingly common in medical reimbursement policies to exclude liability for such cases. Mr. Frankina apparently wanted the commissioners to prohibit the use of such clauses.

Resent Subsidy Inference

The insurance people resented especially a statement in the Frankina statement that if VA didn't try to collect it would be giving a subsidy to insurers without statutory authorization. Also there was a statement that this would put an unfair burden on taxpayers.

After Mr. Frankina had finished, C. O. Pauley of H. & A. Underwriters Conference declared that if the clause excluding liability in these cases is unambiguous it is not a matter for the states to consider. He said there is solid reason for such a clause because the average hospitalization period in a VA facility is three times what it is in a private hospital. This is true partly because the diagnostic treatment takes place in the VA hospital whereas usually this is done at the doctor's office before admittance to a private hospital. Also a veteran is kept in a VA hospital until he is medically discharged whereas the patient gets shooed out of a private hospital while he is still weaving.

Payment of benefits for treatment in a VA hospital will cost three times as much and the veteran is no better off than if he had no insurance. If the insurer pays three times as much in these cases, he said, it is a hidden tax on other policyholders. He insisted that this matter should be left to the discretion of the individual company.

Frank Fullenwider of California moved that the matter be dropped.

No Reimbursement, No Treatment

Mr. Frankina cited the VA rule that a veteran applying for hospital treatment for a non-war incurred disability, and who is potentially entitled to other hospital treatment because of membership in a union or group hospital plan. etc., will not be furnished treatment without charge to the extent of such reimbursement. Action will be taken to effect collection from insurance companies in amounts determined payable under terms of the applicable policy. Hence hospitalization is made contingent on the execution of an assignment to VA of the veteran's rights to reimbursement.

The veteran is required to sign a pauper's oath. It is understood VA has sent out a long directive to its offices setting up in detail the procedure for filing claims under these policies, even to form letters for follow up if there is any delay in payment. Some companies, it is said, are refusing to pay, even though there is no specific exclusion in their policies.

Earlier Crichton of West Virginia reported as chairman of the Blue Cross-Blue Shield subcommittee and recommended that those states not now possessing statutes regulating hospital and medical service corporations by the insurance department should be urged to consider the necessity of enacting adequate statutes. An absence of regulation in this field by any state is a serious challenge to effective state regulation.

PROBLEM FOR ALL

A uniform enabling act for hospital and medical service corporations for all states is a problem that should be considered in full by the entire association.

All states should consider the desirability of making available to large groups desiring Blue Cross coverage, the use of enrollment by Health Service, Inc., the method of writing out liability of Health Service, Inc., and if substitution of coverage by local Blue Cross plans is a reasonable means of writing such coverage but further refinement should be made so as to more definitely establish the liability of Health Service, Inc., in all group enrollment cases.

There is justification for the continued employment of the Blue Cross syndicate method of group coverage but upon the full development of the Health Service vehicle, the matter of the syndicate method of enrolling groups should be considered in full.

Questions Parallel Course

The committee questions the reasonableness of the use of two vehicles, Health Service, Inc., and National Blue Shield Service, to enroll large groups for both hospital and medical service.

It is against public interest for a Blue Cross plan to refuse coverage if the prospective subscriber is not enrolled under a Blue Shield contract. It is likewise against public interest for a Blue Shield plan to refuse coverage for a similar reason.

J. F. Follmann of Bureau of A. & H. Underwriters reported that the new standard provisions bill was enacted in 1951 in 17 jurisdictions and expressed the hope that in the next two years all other states having laws in conflict with this model bill will enact the measure.

Bittel Report

W. H. Bittel, New Jersey actuary, reported for the subcommittee on policy benefits in relation to premiums.

In the report of May 25, 1951, Mr. Bittel said, it was proposed that the data appearing in the A. & H. policy experience exhibit should be on two lines for each policy form: The first year's business on the first, and the renewal business on the second. This was to meet the objections raised by industry to the use of experience where first year and renewal business are combined in the reporting for and which industry contended was distorted.

The industry committee has now advised that such a segregation would serve little purpose and that the reporting on a segregated basis should be left optional with each company. The original proposal was made by the Bittel committee in order to assist the company to justify an unsatisfactory experience with a policy form. Since industry now contends that it will be satisfied with the segregation on an optional basis, such reporting should be left to the discretion of each company. The policy experience should be revised to reflect the amount of policy or membership fees or excess premium amounts. The information which has been furnished under the present exhibit is of no value. The caption of the column relating to these items should be changed to require that the amounts be shown therein. The industry has requested that reporting of these items be on a permissive basis and the Bittel group agrees.

There should be established a uniform reporting procedure for schedule form policies. This form of policy has destroyed the value of the exhibit where no separation is made of the experience for the various combinations of coverages issued thereunder. Hence the experience under schedule form policies should be reported separately for each combination of coverages issued under the form.

A uniform numbering system should be adopted by each company. This is to bring policies with identical coverages, differing only as to minor exceptions required by various states, together in the policy experience exhibit.

Clarifies Minimum Loss Ratio

"In analyzing the data produced by the policy experience exhibit the approach has been to find a loss ratio to use as a standard by which to measure and evaluate the information given on a particular policy form," the committee said. "We were tentatively considering the use of a stipulated percentage of loss ratio below which the benefits under a policy form would be presumed to be unreasonable in relation to the premium. The premature release of this figure created an erroneous impression that it was intended to represent a satisfactory loss ratio. This reaction has tended to restrain your subcommittee from recommending any standard at this time. Furthermore, the industry committee has taken serious exception to the fixing of an absolute minimum loss ratio for any policy. Our sessions with industry have been unproductive as to any other alternative. It is the position of the industry that the matter of handling policy forms must be at the individual state level.

"In view of these developments your subcommittee requests further instructions as to the course to be followed in the completion of its appointed tasks."

On motion of Stone of Nebraska the subcommittee was extinguished that was assigned to deal with minimum requirements, benefits and fair trade practice. This was related to the California situation.

At the plenary session Wednesday afternoon it was decided to send copies of the Frankina statement to each commisioner and to make copies generally available to let the industry know that it may file rebuttals with the committee.

CONDON COMMITTEE HEARING

McLain Explains Why Companies Feel Security Benefits Belong in Compensation

NEW YORK—Why the companies' committee on revising section 213 disagrees with the agents on how to treat security benefits in the proposed revision of the New York expense limitation law was set forth in the formal statement submitted on the companies' behalf to the Condon committee of the New York legislature prior to the two-day hearing on section 213 revision.

President James A McLain of Guardian Life, chairman of the joint committee of Life Insurance Assn. of America and American Life Convention on the section 213 revision, filed the statement. As a witness, he went over its main points and answered the committee's questions. His oral testimony is reported in the general story in this issue on the hearing.

Should Be in Pay Limit

In his formal statement, Mr. McLain said that his committee feels that the cost of security benefits is an expense which should be included in the direct limitation on agents' compensation. He pointed out that this is the way it is handled administratively now and the proposed statute provides for it explicitly. The cost of security benefits for other agency personnel is included with the compensation of such personnel in the agency expense limit and similarly, the cost of security benefits for home office employes is included with their compensation in the expenses subject to the general expense limit, he pointed out.

"Inclusion of the cost of security benefits with compensation is natural and desirable," he continued. "Many agents receive vested renewal commissions, compensation payable after active service has terminated. A pension plan cannot be judged intelligently unless it is considered in connection with these other payments after retirement. The only way of insuring that the two payments will be considered together is to make their sum subject to the same limitations.

Lifetime Income Provisions

"The same argument holds in connection with other plans of compensation, some of which provide for lifetime income to an agent who has completed a substantial period of full-time service."

Mr. McLain's statement included a summary of the proposed limits on agents' compensation, which would be removed from the overlapping controls of the present law. The recommended limit permits commissions on an ordinary life policy of 10% of the premiums yearly for the first 15 policy years plus 3% of the premiums thereafter. A minority of the committee felt that 2% should be the limit after the first 15 policy years. M. Albert Linton, president of Provident Mutual, spoke for the minority viewpoint at the hearing.

Any commission scale or plan of salary and commission which has the same value as the recommended scale would be permitted, provided that not more than 55% of the premiums is paid in the first year, not more than 15% in any one renewal year except with the approval of the superintendent; commissions for the first two policy years do not exceed 35% of the premiums for those two years; that commissions for the first three policy years do not exceed 27% for those three years; and that no part of the 3% commission allowed after the 15th year may be shifted and paid as a commission during the first 15 years.

COMPARISON

Attempting to answer the question: "How does the proposed limit compare with that permitted under the present law?" the statement says that unfortunately the present law so intermingles the limits on soliciting agents' compensation and general agents commissions that it is impossible to say just what the limit is on either one. However, using an allocation approximately equivalent to that in many agents' contracts now effective, the new limits would allow increased commission in a typical case of about nine-tenths of 1% or about 27 cents per $1,000 of insurance, according to the statement.

The advancement in the granting of pensions, group insurance and other security benefits since the last general revision of section 213 in 1929 warrants the inclusion of some additional allowance for such benefits in the proposed revision, according to Mr. McLain's committee.

He stated that in the recommended revision it would be found that for an ordinary life policy the maximum allowable compensation in terms of premiums is 8% of each year's premium, 8% a year being equivalent to 10% per year for 15 years and 3% thereafter on a commuted value basis. Typical present compensation may average 7.1%, so that the proposal involves an increase of nine-tenths of 1% which

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THE ALCOHOLIC

Alcoholism is the abnormal and uncontrollable use of alcohol to an extent seriously detrimental to physical and mental health. This condition is now recognized as an important medical and public health problem.

It has been estimated by the National Committee on Alcoholism that there are about 65,000,000 people in the United States who drink alcoholic beverages at least occasionally. It is further estimated that some 4,000,000 of these 65,000,000 people have found that the use of alcohol has constituted a more or less serious problem in their lives.

The National Committee also reports that about 750,000 of these users of alcohol have drunk uncontrollably to such an extent as to have seriously impaired their physical and mental health, as shown by the records of physicians and hospitals. Physicians label this last group definitely as true chronic alcoholics, and point out that, for instance, there are 50 percent more of them than there are known sufferers from tuberculosis.

Fortunately, medical, health, welfare, and religious agencies, industrial and other employers have taken a practical, realistic view of this problem. They are attacking it factually and without undue emotionalism. This enlightened approach offers great hope to all those who now are chronic alcoholics—as well as to those who are running the risk of becoming chronic alcoholics.

1. What is the cause of alcoholism?

Authorities have found no *one* cause for this condition. Research shows, however, that alcoholics are usually people who do not seem able to face life in a mature manner because of some underlying mental or emotional condition which the alcoholic himself may not clearly recognize. They seem to seek escape by excessive drinking—and eventually they become dependent on alcohol just to go on living.

Some authorities also believe that an alcoholic's body chemistry differs from that of normal persons, and that this difference results in an unnatural appetite for alcohol. Excessive drinking, however, is in all cases a *symptom*. Often the symptom can be removed, but it is very apt to return unless the underlying trouble is eliminated.

2. What are the dangers of alcoholism?

Both physical and mental disorders may result from excessive drinking. Nutritional disturbances frequently occur, and certain vital organs may be harmed. Eventually most alcoholics undergo distinct personality changes that add to their instability. Alcoholics are definitely "accident prone."

The industrial accident rate among excessive drinkers is from 100 to 200 percent higher than among non-alcoholics alongside whom they work. Other accident hazards are increased by the excessive use of alcohol. It also takes its toll socially in wrecked family life—and economically it is claimed to cause a loss of almost a billion dollars annually.

3. How can medical science help the alcoholic?

Although there is no specific remedy for alcoholism, much can be done to help a person stop drinking completely. The success of any form of treatment, however, depends upon the alcoholic himself who must absolutely want to break the habit. Once he has stopped, most authorities agree that the real alcoholic cannot drink again with safety.

Psychotherapy may be used to help the patient recognize his problems and how to deal with them without the use of alcohol. Certain medicines, which should be used only under the guidance of a doctor, are also available. These medicines may help to wean the patient away from drink.

It is important, too, for the alcoholic to re-establish a routine of healthful living through proper diet, sufficient relaxation and sleep, and attention to other health measures that are usually disrupted by excessive drinking. In some cases, occupational guidance may be appropriate.

4. How can everyone help the alcoholic?

The general public—all of us—can help overcome the prejudices that have long existed about alcoholics by looking upon chronic drinkers as persons subject to serious physical and mental handicaps.

We must help them through sympathy and understanding, and aid them to obtain the type of treatment that they need. This treatment may be individual or group therapy given by the doctor, or mutual aid provided through organizations such as Alcoholics Anonymous.

We can also support and encourage the development of programs for the *scientific* study and control of this problem. In these ways, we can all do our part toward restoring thousands of men and women to healthy, happy, useful lives.

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Gen. Wainwright and Sen. Connally Named at N.A.I.C. Session

Texans Involved in Problem of Insurance Selling at Army Bases

NEW YORK—The names of Gen. Jonathan Wainwright and of Senator Connally of Texas were brought into the discussion of the sale of life insurance to military personnel during a meeting Sunday afternoon here of a commissioners subcommittee headed by Day of Illinois.

At one stage of the discussion Commissioner Butler of Texas said there is a mail order problem involved, citing the fact that one insurer specializing in selling policies without war clause to military personnel got a list of one million men in uniform.

Southall of Kentucky asked whether the problem is not intensified because there are retired generals on the payrolls of Texas companies. Mr. Butler replied in the affirmative and then added the remark that General Wainwright is the president of one such company.

Insurance Director Day of Illinois at the plenary session Wednesday afternoon announced that he had just received a reply from the war department declining to change the ruling under which a company or agent that is licensed in any state has the privilege of soliciting life insurance at any military base over which a state does not have concurrent civil jurisdiction.

Earlier one of the commissioners said he had heard that Senator Connally had succeeded in blocking at one time a regulation that would have required both insurer and agent to be licensed in the state in which an army camp is located in order to solicit in such camp. Mr. Butler said he had not heard that, but sotto voce he predicted that Connally is not long for the Senate. Mr. Butler volunteered that there was a Texas congressman that had stock in one of these companies and that was working against any restriction on solicitation. However, he subsequently "became a Christian," Mr. Butler declared, "because his company went broke."

Mr. Day at the outset of the meeting reviewed the meeting that his committee had with the Washington authorities. It was obvious, he said, that there are various policies and pressures to let unlicensed activities continue at military bases. The commissioners had to try to clear up the notion in the minds of the military men that the insurance companies are unpatriotic in their war clause policies. The air force spokesman favored setting up a bureau in the military establishment that would sift insurance companies and agents. However the army and navy people did not endorse that idea.

Answer Not Given

At that meeting the commissioners were told that a Department of Defense committee would be constituted and that an answer would be given to the state officials by the middle of August. However there has been no such answer.

The Day committee survey the extent of the problem in a questionnaire. In some states there is no problem either because the commanding officers on their own responsibility exclude unlicensed companies and agents from the bases or else there are no ceded bases in the state. It is only on ceded bases that the unlicensed operations are tolerated. There are 13 states that have the problem in some degree.

The military group inquired whether anyone had been hurt by the practices in the past. The answer is that a number of insurers had become badly impaired by loading upon business without war clause and without sufficient resources.

Mr. Day told of one company that was soliciting business by mail at army bases in Wyoming and giving a reply card at Loveland, Colo. No such company was known there. It turned out to be National Mutual Life of San Antonio.

Confesses Texas' Part

Mr. Butler confessed that Texas companies are the main ones involved.

One of the commissioners said there is some danger in emphasizing this hiatus in the scope of state supervision, because it might breed agitation for a central bureau to pick and choose among companies and agents.

Gaffney of New Jersey said it was unfortunate that the conference at Washington got off on the wrong foot due to the injection of the issue of patriotism and war clause into it. However he voiced the belief some progress has been made. The subcommittee ought to be continued and it should press for a decision and ruling that authority to sell should be confined to agents licensed in the state in which the camp is located. He said he is not prepared to concede that this is unattainable.

Butler said in the period of the last war small companies organized in Texas were "running over the southwest" writing a battalion at a time. An entire division was written under the strong endorsement of the colonel. This division was caught in the battle of the bulge.

Commission 75%

In 1945 two Texas companies were insolvent but Mr. Butler gave them a grace period and they managed to do some refinancing. They were able to do this because it turned out that many of their insured had been taken prisoner rather than killed. The agents got 75% commission.

Just before the Korea explosion a number of agents organized companies and they became presidents. They figured there would be a war every 25 years and they could get by writing business with-

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STILL GUESSING

Look for WSB Laissez Faire Group Rule Next Week

It looks now as if next week, the week of Dec. 10, will be the time of the issuance of the wage stabilization board ruling on the stabilization status of group insurance and pensions. The

While prospects for a ruling on group insurance next week are apparently excellent, latest advices make it appear dubious that a ruling on pensions will come out then. There are reports that the steel wage demand, among other things, may complicate and delay a ruling on pensions.

entire wage stabilization board was scheduled to be present at Washington on Friday, Nov. 30, to vote on the rulings will be very close to the laissez could not be on hand and this was postpoined. Now the vote is expected to be taken next week.

There is little doubt in the minds of those close to the scene that the rulings will be very close to the laissez faire recommendations of the panel majority report on group and the majority feeling on pensions. There may be some compromises with the stricter minority recommendations, but they are not expected to be substantial.

It seems as certain as such an event can seem that the ruling will be made before Christmas.

Congressional Staff Works on Life Insurer Taxation

The staff of the joint House-Senate committee on internal revenue taxation has gone to work on the study of methods for taxing life insurance companies. The examination was ordered by the House ways and means and the Senate finance committees to determine which of the alternatives presents the most practicable permanent formula.

Dobbs Analyzes Industrial Trends at Carolina Event

R. Howard Dobbs, Jr., president of Life of Georgia, talking at the South Carolina Insurance Days program, noted several significant trends in industrial, among them the increasing equity in industrial policies, liberalized claim settlements, more recognition of industrial agents, and the decreasing premium rate. He noted that in the 11 southern states, weekly premium insurance has increased 560% in the last 20 years, but only 80% in the entire nation.

Mr. Dobbs showed interest in the national trends that affect weekly premium, one of the most indicative being the trend in mortality. Because of the steady gains in life expectancy among the weekly premium clientele, it has been possible for companies to lower premium. For instance, 5 cents of premium 10 years ago would purchase $131 worth of insurance. Today 5 cents will purchase $210 of insurance. "This is," he said, "about the only thing a nickel will buy these days that hasn't been divided, diluted or deleted."

Mr. Hobbs emphasized that benefits in industrial are granted as early as they are in ordinary and in many cases cash values are higher. He also noted the few exclusions in weekly premium contracts and that most don't even exclude suicide.

He mentioned the increasing equity in industrial policies which is a significant development because weekly premium is subject to a higher lapse rate than ordinary. Today, however, many companies keep the need for improvement of lapse ratio before their agents by making a creditable showing in this phase of their work a prerequisite to production club membership.

Claim settlements are also being increasingly liberalized, he pointed out. More and more policies are now being issued with beneficiaries specifically named, and better underwriting is being continually emphasized even though most companies rely largely on their agents to do the underwriting in the field. Better field underwriting has brought about a laudable drop in claim rejection and in litigation.

A very noticeable trend in weekly premium activities, Mr. Dobbs said, is the emphasis being placed upon the training offered agents both in companies and by the Life Underwriters Training Council. Also weekly premium agents are being accorded considerably more recognition by the National Assn. of Life Underwriters. He noted that "weekly premium agents and ordinary agents have found a common understanding and a common objective. They see how one can assist the other in broadening the usefulness of life insurance as a means toward individually created family security in this nation."

MacArthur Gives Sales Talk

Ray B. MacArthur, Time, spoke on "Selling—Your Profession" at the December luncheon meeting of Milwaukee A. & H. Underwriters. President Clifford C. Raisbeck, Washington National, has appointed Al Siegner chairman of the Christmas party Dec. 15 at which children from the Milwaukee County Children's Home will be guests.

New Idaho Code Sought

Idaho is badly in need of a new insurance code, Commissioner O'Connell stated in his annual report. He said the code is needed in the interest of preserving uniformity among the states and that many of Idaho's laws "do not conform to present-date insurance activities."

Mr. O'Connell pointed out that amendments to the Idaho law passed in 1951 were so drafted that they can be inserted in a new code without change if one is prepared. Commenting on more stringent legislation passed at that session, he said:

"If the examination of a company shows its financial structure to be impaired, we can now check the company's activities and advise with the management before the company gets beyond the possibility of rehabilitation."

During the past fiscal year, he said, two domestic companies became involved in financial difficulties and the department was forced to take action to save policyholders from possible loss.

Experience Causes N. W. Natl. to Halt Group Casualty

Northwestern National Life has halted the writing of group casualty coverages in the face of poor experience to gain time to evaluate the situation. The company in a telegram from the home office to regional group offices advised: "Effective immediately and until further notice the writing by this company of all new group casualty coverages is discontinued. Heavy writings and high claim ratios have led to the decision to pause and take stock of the situation."

The company has made provision for closing cases on which proposals are outstanding. The company officers say it is impossible to forecast what the future course will be until their analysis of the situation is completed.

Adopt Part of Hubbell Plan for Valuation of Securities

NEW YORK—Progress toward improved life insurance security valuation methods was made at the N.A.I.C. meeting here but the business is still hoping that commissioners in 1952 will grant it more of the changes in annual statement valuation methods suggested in the Hubbell proposal.

The valuation of securities committee headed by Bohlinger of New York accepted the report of its sub-committee, whose chairman is Allyn of Connecticut, over the dissenting vote of Sullivan of Massachusetts. In essence, the committee action represents the adoption of part of the Hubbell committee plan.

The committee action is encouraging to the business in that it recognizes that they require a different valuation basis than property and liability insurers, allows them to set up reserve liabilities apart from surplus to absorb security value fluctuations, and may grant amortizability to additional securities.

While permitting the companies to set up these reserves, however, the committee gave the business no help on the asset side of their statements in that it did not extend amortizability to additional categories of bonds as the companies requested. The life business contended that additional bonds below class 1 should be made amortizable and justified this view by pointing to the setting up of reserves to absorb potential losses. Under the method voted by the commissioners they will be setting up the reserves but they won't get the asset statement relief they sought.

The meeting was called to order by Mr. Bohlinger who called upon Mr. Allyn for the report of the sub-committee. After that the committee quickly got rid of the problem of oil and gas production loans by adopting the proposals of its fulltime staff, heretofore reported, with an additional requirement that the values of undeveloped proven reserves shall not be more than 25% of the amount of a loan.

Every member of the committee was present for the meeting which attracted a big industry turnout too. Fire and casualty company representatives attended the meeting but they relaxed as soon as Bohlinger announced that the new proposal would not affect them. The plan will apply to fraternal benefit societies with some modifications.

The reserve to be carried by life companies on their bond and stock holdings in their 1951 statements, according to Mr. Allyn's report, is designed to accumulate a reserve of 1% of the total statement value of all amortizable bonds that fully meet the eligibility test of the committee and to accumulate a reserve of 20% of the total statement value of all other bonds and preferred and common stocks. The initial security valuation reserved for this year consists of 1/20 of 1% of the statement value of those bonds on which an ultimate reserve of 1% will be accumulated and 1% of the statement value of those securities on which an ultimate reserve of 20% will be accumulated. The net realized and unrealized capital gains of the company on its bonds and stocks during 1951 are to be added to the initial reserve. If the company has recorded a net capital loss, realized or unrealized, on its bonds and stocks during 1951, 50% of that net loss will be deducted from the reserve computed on the basis indicated. A similar procedure for reserve accumulations will be followed and used after 1951.

Bonds in class 1 are those bonds of the first four ratings in 1951 and 1952, bonds passing the yield test in those years, and private placements in good standing. These bonds are all "yes" bonds and may be amortized. On them a yearly reserve of 1/20 of 1% will be accumulated up to the maximum of 1%. All securities below that classification are "no" securities and are carried at market. On them, a yearly reserve of 1% is developed up to the maximum of 20%.

To Re-examine Securities

There is also a class 2 security which consists of bonds that are in class 1 in 1951 but that get into class 3 in 1952, not in default. Any bonds in class 3 on Dec. 31, 1951, which improve in standing during 1952 so that they fall in class 1 at the end of next year will be changed to that category on that date. It is contemplated by the committee that provision will be made for re-examination during 1952 of all other securities in class 3 at the end of this year, except income and perpetual bonds, to determine whether they could be put in the class 2 "yes" category at the end of next year. Bonds which thereby get into class 2 will be labeled either "yes" or "no" by the committee. If they are marked "yes" they may be amortized, otherwise they are carried at market. In either event a reserve of 1% yearly up to the maximum of 20% will be required. The "market" means the actual quotations or the values assigned by the sub-committee on the date of the valuation specified. "Amortized" refers to the amortized value based on the original cost to the company holding the securities. The determination of which bonds are to be placed in class 2 "yes" at the end of 1952 is to be made by the sub-committee on the basis of standards to be worked out by its staff in conjunction with members of the industry committee on valuation of securities.

The new procedure will be applied to new issues or securities acquired in 1952.

Sherwin C. Badger, vice-president of New England Mutual, spoke for the joint committee on valuation of assets of American Life Convention and Life Ins. Assn. of America, whose chairman is F. W. Hubbell, president of Equitable of Iowa. He said that the committee's proposals had only been in the hands of the business only three or fewer business days and that therefore there had not been an opportunity to refer them to member companies nor to study in detail the possible long term effects of the proposal. "We feel, therefore," he said, "that it would be premature to submit at this time a definite opinion on behalf of the life insurance business.

"Our committee favors the establishment of security reserves, provided however, there is also greater stabilization on the asset side of the balance sheet. We understand the sub-committee's proposals provide for some such stabilization regarding bonds and also to provide for consultation on this point between the commissioners' sub-committee and the life insurance industry."

Consequently he urged that the proposals be considered as applying to 1951 only and that the methods of establishing reserves and of valuation for future years be worked out and submitted during 1952 as a result of joint study. He said "We believe the proposals represent progress in valuation methods. We emphatically believe, however, that definite steps should be taken in 1952 and for subsequent years regarding the valuation of stocks. We would also suggest that for 1951 the commissioners permit any life company so desiring to re-establish as a liability and not as a part of surplus any security reserves heretofore set up or to establish such reserves up to the maximum ultimately contemplated in the commissioners' proposal, namely, 1% of class 1 amortizable securities and 20% of all non-amortizable securities."

Sullivan Dissents

Sullivan of Massachusetts said he still had not changed his mind and that he couldn't go along with the sub-committee proposal. He said that everyone admitted that the change was one of the most radical and revolutionary ideas in security valuation. "If it is adopted we will be tearing ourselves away from all moorings on the valuation of security problem," he warned. The fundamental question, he said, is: What should the valuation principles be? He didn't object to the idea of establishing reserves but he said it wasn't the principal issue. He said that the commissioners were being urged that all bonds not in default be made amortizable. Admitting that he could be right or wrong, he said that the suggestions paid no attention to the requirement that the securities be "amply secured." Then he questioned whether the commissioners might not be departing from the amortization statutes of their various states. He reiterated his view that the question of reserves is subsidiary and argued that the committee was backing into the real problem of valuing securities. He said that bonds with no collateral or mortgages behind them are being marked "yes" and that evaluation standards were weakening generally. Then he said that he didn't think that preferreds could be amortized under the Massachusetts amortizability statute. He also questioned the wisdom of having a valuation method for life companies different from that used for fire and casualty companies.

There ensued a brief questioning of Mr. Badger by Mr. Sullivan in which it was conceded that it would be impossible to get reserves up to the point where they would absorb all fluctuations in bad years. The colloquy also elicited Mr. Badger's opinion that the Massachusetts amortizability statute would not be invoked in a change in the methods of evaluating preferred stock.

Guardian Life Elects Four Managers to Field Board

The following managers have been elected to the field advisory board of Guardian Life: James E. Bragg, New York; Holcombe T. Green, Atlanta; Charles P. Houseman, Los Angeles, and Charles W. O'Donnell, Washington, D. C. Thomas G. Herbert, Denver, was elected member-at-large. Elmer N. Oistad, St. Paul, and Julius M. Eisendrath, New York City, former members-at-large, complete the board.

Bash Agency Banquets

The Bash agency of Mutual Life at Chicago held its first annual meeting at the LaSalle hotel recently. Speakers were: Edward E. Waller, superintendent of agencies; Gilbert Scribner of Winston & Co.; Rev. Raphael Riashi of St. John Baptist church; Dr. Richard C. Hertz, associate rabbi of Sinai temple, and Henry X. Dietch, attorney. Joseph L. Wasserman received the "Man of the Year" award for his contribution to agency development.

10,000 Prudential Agents Strike for More Pay

Prudential Insurance Co. experienced the first serious work stoppage in its 76-year history this week as the International Union of Life Insurance Agents, AFL, called on its member debit agents in 35 states to strike for increased compensation.

The union represents about 15,000 agents and about two-thirds of them responded to the call.

At its inception the strike took the form of peaceful and orderly picketing of company home, regional and district offices. There were indications, however, that the gentlemanly approach to the strike would be abandoned if it endured very long.

Both sides have left open the door to a resumption of the collective bargaining negotiations that broke off several days before the expiration of the union's contract with the company on Dec. 1. The final union demand was for a "substantial" increase in pay. This replaced a previous demand for increases aggregating about $45 a week or a 40% increase. The company's final offer was the equivalent of $6.59 weekly leaving a considerable gap between it and the union.

Company's Position

At a press conference, Carrol M. Shanks, president of the company, said that the union's demands were neither justified nor reasonable. He said that the average district agent receives more than $99 weekly in earnings plus welfare benefits that are the equivalent of $12 weekly. He said that 53% of the agents earn above $5,000 annually and that some of them earn more than $10,000 a year.

The company's final offer, he said, was "every bit as liberal as we could make it in view of the impossibility of increasing premiums on business on the books, the agents' position in a competitive market, the limitation placed upon the company by the New York expense limitation laws and, most important of all, the strong social necessity of providing insurance at reasonable cost."

Basic Changes Demanded

The basic changes demanded by the union are an increase in the floor under guaranteed compensation from $35 to $55 weekly, expense allowance for collection and sales work on the debit, for example, the operation of the agent's car, equaling about $10 weekly, plus other boosts in commission rates and improvements in working conditions.

The union says that the company is not paying as much as agents of the Metropolitan Life and John Hancock are paid for the same work. To that the company responds that its agents' compensation represents one of the highest averages in the business. This phase of the dispute is involved in complex dollar evaluations of various differently labeled items in the agents' contracts of the three big combination companies including vacations, commission schedules, service fees, conservation pay, renewal rights, commissions on converted group, permission to engage in outside work, and so forth.

Expense Limitation Law

A company official said that under its latest offer it will be paying 99¾% of what it is allowed to pay under section 213-A, the New York expense limitation statute on industrial business. (Elsewhere in this edition, see story on the hearing involving this and its related statute conducted by the New York joint legislative committee on insurance rates and regulations.) Current projections for year-end totals indicate, he said, that the company would violate the limits of the law if it allowed anymore increases in compensation for agents.

The union's answer to this was that the company could change its bookkeeping methods to loosen funds to give agents more pay. It contends that this can be done within the expense limits of the law. A union official charged that the company was using the expense limitation law as a false excuse for not increasing members' pay.

An actuary was retained by union leaders to advise them during the bargaining negotiations. He is Clifford J. Woodley, who became a fellow of the Society of Actuaries in 1947 and who is in consulting work at Westport, Conn.

OPERATIONS CONTINUE

The company was carrying on all operations during the strike and said it would notify policyholders by radio and newspaper advertising that they could pay premiums or obtain service on their policies by mail or in person at its various offices.

Serious consequences of the strike such as wide scale lapsation of policies were not anticipated for several weeks at least because of non-forfeiture values, the availability of alternative methods of policyholder service, and so forth. Long before that it was hoped that the strike would be over.

The strike has been given considerable press, radio, and picture coverage, many accounts bringing out that this was the largest white-collar strike in the nation's history.

Hotspots of trouble developed in some cities. Agents' wives were being phoned by strikers and told "if you want your husband healthy then keep him off his

debit." Cars driven by striking agents toured debits of men who did not want to strike and used various means to intimidate the non-strikers.

On Monday, more than 100 pickets marched outside the company's Empire State Building regional district agency office for the New York area. A larger number gave its attention to the Newark home office and a mass demonstration was scheduled there on Friday.

In New Jersey the state AFL threatened to seek cancellation of group insurance plans covering its members underwritten by Prudential unless a prompt and amicable agreement was reached with the agents.

Mr. Shanks said the strike could help no one and that it would hurt agents and their families particularly. He also expressed the belief that the AFL union was using the strike as a method of outdemonstrating and outfighting competing unions seeking to represent the company's agents. He was referring to the Insurance & Allied Workers Organizing Committee, CIO, which represents John Hancock district agents, and whose right to represent Metropolitan Life agents has been voted upon by them in several states.

Areas Not Involved

States not involved in the strike because agents, in them are not organized include Arizona, Arkansas, Idaho, Mississippi, Montana, Nevada, New Mexico, North Dakota, South Dakota, Texas, and Wyoming. Agents in Minnesota, Wisconsin, and the area of Ohio outside the cities of Toledo and Bryan are members of another union. Colorado agents were expected to strike next week when an eight day cooling off period required by state law expires.

Judge Dismisses Texmass Suit

Judge Charles E. Wyzanski, Jr., in U. S. district court in Boston dismissed on the merits, after full argument, the Texmass case in which several policyholders of the Massachusetss Mutual and John Hancock Mutual made certain allegations regarding insurance company investment matters.

President Leland J. Kalmbach of Massachusetts Mutual says that this decision affirms the correctness of the company's position in bringing these matters to the attention of the policyholders at the annual meeting on April 11, at which time the policyholders showed their confidence in the directors by voting that it was against the best interests of the company to pursue further these suits pending in the United States district court and that such suits should be withdrawn.

Eastern Met Agents Vote in CIO Union

Metropolitan Life agents in the greater New York area, New Jersey and Pennsylvania have voted in the Insurance and Allied Workers Organizing Committee, CIO, as their collective bargaining representatives. About 4,600 agents were involved.

The tallies in New York showed 1,213 for the union and 507 against, in Pennsylvania, 1,023 to 702, and in New Jersey 820 to 377.

Once the union is certified by the N.L.R.B. as bargaining agent, procedure calls for it to ask the company for negotiations for a new contract. This will probably take several weeks. Metropolitan Life agents have not been represented by a union since 1948, when they dropped the leftist UOPWA as their bargaining agent.

Clarke Speaks at Milwaukee

Howard E. Clarke, Chicago sales consultant; spoke at the December luncheon meeting of the Milwaukee C.L.U. chapter on "Some Ideas Which Sell Life Insurance Today."

N. Y. Proposal Held Threat to Some A. & H. Insurers

NEW YORK—New York-licensed life companies doing a large A. & H. business in relation to their life writings are considerably concerned about the proposed substitute for the present section 213 of the New York expense limitation law governing life companies.

This was brought out by Douglas Bell, assistant counsel of Paul Revere Life, at the hearing held here last week on revision of section 213 by the Condon committee of the New York legislature.

The proposed change would force life companies doing an A. & H. business to prorate advances to agents between life on the one hand and A. & H. on the other in proportion to the volume of first-year commissions for these two classes. This introduces a complication, inasmuch as many companies pay a lower rate of commission on A. & H. than on life.

Basis Would Be Distorted

They make advances against the A. & H. commissions but if they had to be prorated according to the A. & H. commission volume and life commission volume the result would be to charge a disproportionate amount against life commissions. This might result in a company's going over the New York expense limit, whereas if the advances were recorded as being made against whichever line of business was actually the case the company would not be in trouble.

The law contains a proviso that a company can take its case up with the New York department but companies would prefer not to be in the position of proving that what they are doing is all right.

Basically the companies don't like the idea of what is regarded as an entering wedge for state control of A. & H. commissions. This would be particularly bad for life companies writing A. & H. because they are in competition with casualty companies and A. & H. specialty companies that would not be subject to the limit.

Department Wanted Provision

The subcommittee of the life companies' committee on section 213 that drafted the bill reported against the provision but it was included in the final draft at the insurance department's insistance.

The amount of first year commissions are not a real test, the companies involved point out, because a company could increase its first year and A. & H. commissions by 200% and this would keep the advances where they belong even though prorated according to the proposed formula. The companies affected contend that the department has enough authority already, through the annual statement reports and its auditing procedure. The prorating provision had been heard of but was not known about for sure until the companies' committee officially filed its latest draft bill with the legislative committee last week.

One fear is that it would be a step in the direction of the situation that confronts Canadian life companies. That is, the Canadian companies are not allowed to use life assets or surplus in developing A. & H. business. Therefore, Canadian life companies don't do an A. & H. business to any extent.

Welcome, Farewell in Neb.

Insurance federation of Nebraska is giving a dinner at Lincoln Dec. 18 in farewell to Bernard Stone, outgoing insurance director and piping aboard Loren Laughlin, who becomes director Jan. 1.

Charles L. Sehner of Prudential at South Milwaukee, was honored at a dinner marking his retirement after 25 years.

CONTRADICTS WSB?

SSB Prohibits Rate Increases for Ordinary Agents

WASHINGTON — Salary stabilization board regulation 5 signed by the economic stabilizer appears to prohibit any increase in commission rate for non-unionized life insurance salesmen. This is in direct contrast to the majority report of a wage stabilization board panel which would permit adjustments in the compensation rate of organized life agents where such adjustments are permitted by state regulatory officials. The WSB majority report is not a regulation as yet, but should it become so this duality between the two agencies would appear to permit, where state insurance commissioners approve, increases in the commission rate for debit agents and yet permit no increases for ordinary agents. The wage board would not be obligated to pursue the salary board policies despite the fact that uniformity and coordination in treatment of commission matters by the two boards have been approved by the salary board. It may be a hard job to get the views matched, though the door is left open for the adjustment of policies of the two boards.

Regulation 5 of the SSB states that increases in commission rates will not be allowed "for such increases in commission rates usually result in permanently increased selling costs."

The regulation provides that a sales employe who is compensated only by commissions may receive a drawing account or salary against commissions up to but not to exceed 77% of his total earnings in the calendar year 1950 or of the average of his total earnings in the calendar year 1950 or of the average of his total earnings in any three years of the five calendar years 1946 to 1950.

The salary stabilization board announced that it would work with the wage stabilization board toward uniformity through a joint staff.

Permit Sales Contests

The SSB regulation permits sales contests and prizes. Employers who had established practice last Jan. 25 of reimbursing sales employes for expenses incurred or paying a fixed amount for expenses are allowed to continue doing so under certain conditions. The board authorizes the SSB to approve adjustments in compensation or expense allowances to correct hardship and inequities under certain conditions.

The majority of the WSB panel, on the other hand, had last week urged that adjustments in compensation in commission rates for life insurance agents be approved where such raises are approved by the state insurance departments.

The SSB ruling is particularly interesting because it is promulgated at a time when companies and agents alike are pushing for state law changes permitting increases in the commissions of agents before the Condon committee of the New York legislature.

Insurance people seem to feel that there can be no commission rate increase under the salary board's regulation 5. They cannot see how there can be uniformity in administering consistently two regulations which are inconsistent in their provisions. There has been no answer from official sources on the contradiction in prospect and it is felt that the matter has not yet been thought through.

Honor Travelers Milwaukee Men

A dinner meeting was held at Milwaukee by Travelers to honor Earl E. Langworthy, claim manager, who is observing his 40th anniversary with the company; Raymond E. Richardson, field auditor, his 25th anniversary; Irving A. Loughlin, supervising casualty field underwriter, who will retire at the end of this year, and William W. Frost, assistant life manager, who has been appointed life manager at St. Paul.

Brokers Clinic at Toledo

Ewart G. Wells, brokerage manager for Connecticut Mutual, will conduct a brokers' clinic for general insurance men at Toledo on Dec. 10. Taking part will be Floyd A. Rosenfelt, general agent at Toledo, and Leslie Black, supervisor.

N.A.I.C. Bulletin Service Idea Gets Cool Reception

NEW YORK—Hugh Tollack, assistant secretary of N.A.I.C., at the executive committee meeting of that organization here Sunday afternoon, reported on the results of his questionnaire to insurers on his proposal to develop an informational service from headquarters with annual subscription price of $100. He addressed all insurers licensed in six or more states, of which, it is understood there were some 700. There were 212 replies and 144 expressed willingness to subscribe.

Later the executive committee in executive session rejected the idea of going ahead with such a program, at least for the time being.

Hold Third Sales School

A senior sales training school, sponsored by Bankers Life of Iowa at Des Moines, was attended by 12 representatives from 10 agencies. The school, third in a series of four, was directed by Roy A. Frowick, director of training.

Companies Win Round in W. Va. Taxation Suit

The circuit court of Kanawha County has enjoined the state auditor of West Virginia from imposing a foreign corporation licensing requirement and license tax law on insurers.

Insurance companies had not been asked to fulfill the requirements of the 50 year old law until early this year. They had been fulfilling similar requirements and paying a tax under other statutes applicable only to them administered by the insurance commissioner.

Last February the state auditor asked the attorney general of the state for an opinion as to the liability of the insurers to pay taxes under the general foreign corporation statute. The attorney general's office submitted an opinion which held that insurance companies had to qualify under both laws, not only with the insurance commissioner. This meant, according to that opinion, they would have to pay not only a license tax and gross premiums tax but also the annual license tax imposed on foreign corporations generally.

The opinion was opposed by mutual and stock casualty fire and life companies. American Mutual Alliance retained the firm of Kay, Casto, & Amos of Charleston to represent them. American Life Convention, Life Insurance Assn. of America, Assn. of Casualty & Surety Cos., and National Board are represented by Steptoe & Johnston.

The two law firms acting jointly submitted an informal brief to the attorney general arguing conclusions contrary to his. After considering their arguments the attorney general's office reaffirmed its opinion.

The law suit will result in a determination by the courts of the proper interpretation of the statute. Until that time the auditor of the state has been enjoined from applying the law. If the general corporate statute is held to apply to a foreign insurance companies they will be required to pay license taxes for the past 5 years and, in addition, to pay such taxes henceforth and submit to the general corporate licensing requirements of the state. In addition, they will be required to pay the license and premium taxes and submit to the licensing requirements of the insurance commissioner.

N.A.I.C. Runs Out of Bids

NEW YORK — The 1952 December meeting of National Assn. of Insurance Commissioners will be held at New York with the exact dates and hotel selection left open, it was decided by the executive committee in executive session here Sunday. The 1952 annual meeting in June is at Chicago. There were no other invitations at hand either for next December or thereafter. Some opined that this is because the convention has become so large, the entertainment burden is more than the insurance fraternity in any one city wants to take on any more. Hence there was discussion of the idea of deemphasizing entertainment.

The executive committee rejected the proposal to hold but one full meeting a year. That would tend to lodge much greater authority within the zone apparatus. There appears to be emerging some conflict between the zones and the national setup as it is.

There was considerable discussion of meeting procedures centering about a sharply critical letter that had been composed by Jorge Font Saldana, the Puerto Rican commissioner, and a response by Insurance Director Day of Illinois. One idea that is being considered is to have one day following the convention as it is now known, for commissioners only, the welcome mat being removed for the camp followers.

Top W. Va. Court Upholds Equitable Mortgage Plan

Equitable Society's assured home ownership plan has been upheld by the court of West Virginia. This week the supreme court of appeals denied the application of the West Virginia insurance commissioner for leave to appeal from the recent decision of Judge Julian F. Bouchelle of the circuit court of Kanawha county who had held that the society's plan did not violate state law. The action disposes of this litigation in that state.

Connecticut General has declared a regular dividend of 40 cents a share on capital stock and a special dividend of 10 cents a share, both payable Jan. 2 to stockholders of record Dec. 21. Similar payments were made at this time last year.

Kern County Host to Calif. Midyear

California State Assn. of Life Underwriters has scheduled its midyear meeting at Bakersfield on Dec. 14. The afternoon and evening program lists the following speakers and topics:

Edwin Wood, Phoenix Mutual Life, "Creative Selling in Today's Market;" Kellog Van Winkle, Equitable Society and chairman of legislative committee of California Assn., "Your State Association at Work;" H. E. Denham, Prudential, "The Human Side;" Walter G. Gastil, Connecticut General, closing motivating address; Frederick A. Schnell, Penn Mutual and president of the California association, closing remarks. After dinner, U. S. Senator William F. Knowland will speak on "American Foreign Policy and its Impact Upon our Domestic Economy."

The series of meetings is being sponsored by the Kern County association. On Dec. 15 the regular executive meetings will be held by the state association board with the conference adjourning some time that afternoon.

This is the first full-dress midyear meeting to be held by the state association and it is in conjunction with a sales congress and luncheon this year under the auspices of the Kern county group.

Security Benefits Are Compensation

(CONTINUED FROM PAGE 4)

gives the 27 cents per $1,000 figure mentioned above.

If the proposed law is enacted it is doubtful that any company will increase compensation to the full limit provided, because it has been traditional in the life insurance business to maintain a margin between all statutory expense limits and actual expenses, according to the McLain statement. However, should a company increase its agents' compensation, it does not necessarily follow that this will result in an increase in the cost of its insurance. More business of a better quality will cut unit expense rates, particularly among smaller companies, which can expect to operate at a lower unit expense rate as they grow.

"The primary purpose of section 213 is to prevent extravagence," the statement adds. "The committee is of the opinion that a margin of less than 1% of premiums between the statutory limit and a typical commission scale can be allowed without resulting in extravagance. Even if the full amount of that margin is actually paid by some companies, either as direct compensation or security benefits to agents, such action will hardly constitute extravagance."

Payments After Termination.

To further encourage management to use the aggregate margins inherent in the business currently in force in those agencies where the margins will most efficiently aid in service to the public, the McLain committee recommends strengthening of the individual policy limitations of the present law on commissions that can be paid after termination of service as agency manager.

It is proposed that overriding commissions payable after termination as an agency manager be limited to commission on policies less than 15 years old at the time of such termination, which were written while the agency was under the supervision of the terminating agency manager. The limits recommended are 5% of the balance of first-year premiums due after termination on such policies, and 2% of the balance of the first 14 renewal premiums due after termination.

The proposed treatment of managers' compensation facilitates the opening of new agency points on a general agency basis, according to the statement. By divorcing the general agents' initial compensation from the present exact relationship with individual policies sold or serviced, a much more satisfactory method is made possible. The compensation permitted by the present law exceeds what is necessary to obtain the services of a new general agent of the required caliber for an agency in which a substantial number of policies are in force.

SCRATCH AGENCIES

In a new general agency, starting from scratch or with but little insurance in force in the territory, the company must either find a financially independent individual willing to support himself and invest money in an agency or resign itself to the realization that its appointee will immediately go into debt to get the money necessary to develop a general agency. The uniform treatment of compensation paid to agency managers will facilitate the development of the smaller companies, which have traditionally operated on the general agency basis.

The proposed statute recommends limits both for agency expenses and for the general insurance expenses of the company as a whole. For most companies the basic allowance for agency expenses is 20% of the first year premiums, plus $1 for each policy, plus $1 for each $1,000 of insurance in force. If 20% of the first-year premiums does not amount to at least 10% of such premiums, plus $3 per $1,000 of such insurance, then the latter amount is allowable.

This avoids the possibility, the statement points out, of an inadequate limit in the future if the trend to term insurance continues, and gives equitable treatment to non-participating companies with low premium rates. A further graded allowance is permitted to assist smaller companies, ranging from $1.50 per $1,000 on the first $100 million of insurance in force to 65 cents for companies at the $500 million level and less than 3 cents per $1,000 for the largest companies.

A comparison of the basic allowance for agency expenses with certain assumed agency expenses is given in a more detailed brief to be furnished the Condon committee later and will show, according to Mr. McLain's statement, that on a commuted value basis the excess of the proposed allowance over reasonable expenses is only about 10%—"certainly not an excessive leeway against the possibility of further increases in costs in the future."

The graded allowance per $1,000 insurance in force is recommended to permit reasonable development work and in recognition of the needs of smaller companies. It is graded down sharply by size of company. In recognition of the needs of very small companies, further provision is incorporated in the statue so that the $1 per policy amount would not be less than $25,000.

The proposed statute provides less in the aggregate for agency expenses than present section 213 but it does increase the limits for many small companies. However, the McLain committtee does not expect that all small companies will

(CONTINUED ON PAGE 25)

EDITORIAL COMMENT

Washington Representation Works Well

Ideas that are good in theory don't always turn out that way when applied to the practical problems of everyday business and political life.

That was the situation when Life Insurance Assn. of America and American Life Convention decided in 1950, after years of deliberation, that the business needed representation in Washington.

The necessity of maintaining an office there had been emphasized as government participation in business grew during the '30s and spread further during the war. All other businesses were represented there. Why shouldn't what had become the largest of the financial institutions be on hand to look out for itself when, everyday, legislation was being debated and administrative regulations were being issued that vitally effected its existence?

The next problem, then, was to be represented by men who were in the truest, trusted sense of the words—life insurance men. The functions of the office didn't call for mere legislative representatives who know the caprices and whims of Washington. They required men who knew life insurance as well as the politics, mechanics and pressures of big government.

The implementation of the idea of Washington representation depended upon the men accomplishing it. Only good men could make the idea work.

Now that the results are in on the first full year of capital representation, the business is assured that the idea and the men selected to carry it out are excellent. In the 1951 legislative and administrative year, life insurance acquitted itself very well. That record befits a business which has demonstrated its willingness to voluntarily subject itself to reasonable taxation, among other things, and in every way to cooperate fully with the government. Life insurance is not intent upon serving its selfish ends. Life insurers appreciate that there is a national emergency. As always it is a public interest business.

Still the business is putting up in the nation's capital a vigorous self-defense of policyholders and has been able to take prompt and constructive affirmative action wherever necessary.

Of course, success in Washington depends greatly on grass-roots support countrywide. There can never be too much of that.

L.I.A.-A.L.C. Washington representation is in a sense then a tribute to the boards of both organizations for originating and fostering the idea, and to the men they chose to effect it—Eugene M. Thoré, general counsel of L.I.A., and Robert L. Hogg, executive vice-president of A.L.C. It is a fine idea and these representatives are making it work well.

PERSONAL SIDE OF THE BUSINESS

Frank Viehmann, the Indiana commissioner, over the week end had a reunion with his navy officer son while at New York for the commissioners' convention. The son is Lt. (j.g.) F. Joseph Viehmann, who is an Annapolis graduate of 1947 and who is now in the submarine service stationed at New London.

Dismissed from the hospital in his home town of Newport, Commissioner **M. O. Allen** of Tennessee has returned to his office at Nashville after 10 weeks absence from an illness never completely diagnosed.

Walter Robinson, insurance director of Ohio, and **August Pryatel,** Ohio deputy, took in the Army-Navy game at Philadelphia en route to the N.A.I.C. meeting at New York.

Devereux C. Josephs, president of New York Life, has been named general chairman of the greater New York Community Chest campaign.

Charles W. Bergstrom, assistant supervisor of public relations and advertising for Prudential, has retired after 47 years with the company. Mr. Bergstrom joined the company in 1904 as a stenographer, and in 1907 was appointed executive stenographer in the office of John F. Dryden, company founder. In 1936, he became secretary to President Edward D. Duffield, and for the next 11 years served each successive president. In 1947 he helped develop the public information department.

A. E. Archibald, vice-president Volunteer State Life, has been named chairman of the Heart Association drive in Chattanooga and Hamilton county, Tenn.

Horace H. Wilson, general agent of Equitable Society in New York City, served as chairman of the autumn dinner of Les Amis d'Escouffier, New York gourmets' society.

Albert Hirst, New York City attorney well known for his articles on the legal phases of life insurance, has been elected vice-chairman of the committee on unlawful practice of the law of the New York County Lawyers Assn.

Much interest at the N.A.I.C. meeting at New York centered on **Bernard Stone,** Nebraska insurance director, since the newspapers in his home state have been speculating on the possibility that he may be named to the vacancy at Washington caused by the death of U. S. Senator Wherry. The appointment would be for one year. There is no one closer politically to Gov. Peterson of Nebraska than Mr. Stone.

Harry C. Haggerty, financial vice-president of Metropolitan Life, is slated for election to the board of National City Bank of New York at a shareholders meeting Jan. 8.

Theo. P. Beasley, president of Republic National Life, has been elected to the board of the National City Christian Church Corp. at Washington, D. C.

George L. Harrison, chairman of New York Life, is a member of the policy sub-committee of the Committee for Economic Development.

E. Kirk McKinney, president of Jefferson National Life, has been elected president of Ready Mixed Concrete Corp. of Indianapolis.

Penn Mutual honored **Lowell L. Newman,** general agent at Fort Wayne, Ind., who was celebrating 30 years with the company, at a dinner there. It climaxed a day-long agency meeting and dedication of the new headquarters of the Newman agency. He is a member of the Million Dollar Round Table and for many years was the company's leading producer.

Clarence J. Skelton, vice-president and director of agencies for Republic National Life, has been elected to the board of the Institute of Insurance Marketing at Southern Methodist university.

Robert D. Aufhammer of the Schnell agency of Penn Mutual Life at Los Angeles has been selected as an instructor for a new course on the principles of insurance at Los Angeles state college.

Holgar J. Johnson, president Institute of Life Insurance, who is also the chairman of the Armed Service Y.M.C.A., officially opened the Lafayette Square USO in Washington.

Solomon Huber, general agent of Mutual Benefit Life in New York City, a member of the faculty at the New School for Social Research, has been filling in as a visiting professor at New York University for Dr. Joseph S. Keiper, who is ill. He also substituted recently for Denis B. Maduro, New York attorney, before the Estate Planning Council of Long Island, and for H. G. Kenagy, Mutual Benefit vice-president, as instructor in the C.L.U. management course at the Insurance Society school.

Boston C.L.U. to Hear Redpath

Boston C.L.U. will hear Robert U. Redpath, Connecticut Mutual at New York, on "Appraising the Dollar Values in Public Relations." He is a life qualifier in the Million Dollar Round Table and a specialist in employe benefits systems.

Constitution Life of Los Angeles has appointed Fred H. Massey manager at Long Beach. He has been in the life insurance business at Long Beach since discharge from the navy in the second world war.

DEATHS

ROY B. RUMMAGE, 65, Arizona insurance director, died suddenly at Phoenix. He was stricken early Saturday morning and died shortly afterward at the hospital.

Mr. Rummage had been head of the Arizona insurance department since 1937, in 1945 being appointed director for a term of six years under a new law creating a separate insurance department in the Arizona corporation commission. Mr. Rummage taught school in Kentucky and Oklahoma until moving to Arizona in 1914, and then for three years was with the postoffice at Tempe as a mail carrier before retiring for 11 years because of ill health. In 1928 he became a public accountant and later was in the Maricopa county recorder's office. He went with the insurance division in Arizona in 1933, becoming director four years later.

Harry Nason, Arizona deputy, was attending the N.A.I.C. meeting, but flew home on receiving word of Mr. Rummage's death.

FRED C. PHILLIPS, 54, manager of Federal Life & Casualty at Erie, Pa., died there.

FREDERICK C. EWALD, 46, mortgage loan officer at Minneapolis of Northwestern National, died there. He had spent his entire business career with Northwestern National.

W. M. BURTON, 55, brother of A. M. Burton, retired founder of Life and Casualty Insurance Co., died at Coral Gables, Fla. Mr. Burton was a former district supervior at Knoxville, Tenn.

There were many life insurance notables from the midwest present at funeral services at Evanston, Ill., for **C. M. CARTWRIGHT,** editor emeritus of THE NATIONAL UNDERWRITER. Mr. Cartwright was buried in Memorial Park cemetery just west of Evanston.

J. J. HURLBERT, 72, of Kansas City Life, died at Los Angeles following an operation. Mr. Hurlbert had been with the company 15 years at Los Angeles.

LAWRENCE M. BOGLE, 55, Bankers Life of Iowa, Ottumwa, Ia., died of a heart attack at Mt. Pleasant, Ia. Mr. Bogle joined the agency in 1941.

ROBERT B. KININGHAM, 65, Waukegan, Ill., agent for Northwestern Mutual, died there. He had been with the company for 39 years.

E. H. Henning, president of Illinois Bankers Life, had to shorten his stay at New York for the commissioners meeting when he was notified of the death at Kansas City of his mother-in-law, Mrs. **W. L. HARRIMAN,** aged 83.

Guarantee Mutual Qualifiers Return from Mexico Trip

Qualified members of Guarantee Mutual's field force and their wives and some members of the home office staff have returned from a company convention in Mexico City. The 200 delegates assembled at San Antonio and went to Mexico City by special train.

Six days were spent in Mexico visiting historical buildings, museums and art palaces. An overnight trip was taken to Taxco.

The convention was under the direction of George L. Hamlin, agency vice-president. The next convention will be held in New Orleans in April, 1954.

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SAN FRANCISCO 4, CAL.—507 Flatiron Bldg. Tel. EXbrook 2-3054. F. W. Bland, Pacific Coast Manager.

POLICIES

Recap of Recent Policy Changes

Here are recent policy changes not previously reported in THE NATIONAL UNDERWRITER:

American National has increased its retention limits from $50,000 to $75,000.

Columbus Mutual has increased maximum waiver issued to that purchased by $5,000 annual premium. Maximum income disability is raised from $150 to $250 monthly.

Crown Life has increased its retention limits from $60,000 to $75,000. Advance premiums are discounted at 2½%, rather than 2%, and the maximum amount accepted to pay premiums in advance has been increased from $25,000 to $50,000.

Indianapolis Life has increased its non-medical limits as follows: Ages 0-9, $5,000; men and single women ages 10-35; $7,500; ages 36-40, $5,000; ages 41-45, $2,500. Married women are limited to $2,500 up to age 45. The company is now issuing term to 65 and term riders on a substandard basis.

John Hancock raised its non-medical limits to a maximum of $10,000 at ages 15-30. Other maximum limits are 0-14, $5,000; ages 31-35, $7,500; ages 36-40, $5,000. Maximum for married women is $2,500, ages 15-40.

Monumental Life has just commenced the issuance of substandard term.

National Fidelity retention limits have been increased from $10,000 to $12,500.

Pacific National now issues double indemnity down to age 10 instead of age 15 as heretofore. It has also increased its non-medical limits.

Provident L. & A. has changed its monthly income disability limit from $200 to $250 monthly. Substandard insurance will now be written up to age 65 rather than age 60.

United Benefit has introduced a juvenile policy with insurance quintpled at age 21 and providing for return of premiums in addition to the face amount prior to age 21.

United States Life has increased its double indemnity limit from $25,000 to $50,000. Retention limits have been increased from $35,000 to $50,000

New York Life Increases Dividends on Some Policies

Dividends to policyholders of New York Life in 1952 will be approximately $59,100,000 as compared to $56,230,000 for 1951.

The company board voted to continue for 1952 the same dividend scale for ordinary policies that has been in effect for 1951 except that (1) annual dividends on policies which contain an income or installment disability benefit of a form issued prior to Jan. 1, 1932, will in general be increased, (2) the 20th year extra dividend will include for the first time a waiver of premium and double indemnity extra dividend element on policies containing such benefits of a form issued after Jan. 1, 1932, and (3) the waiver of premium extra dividend element included in the 10th year extra dividend on policies containing such benefit issued to women will be increased.

General Agents Confer

Ohio State Life is holding the second of a series of management conferences at Columbus this week, with about a dozen general agents in attendance. Warren F. Howe, superintendent of agencies, is in charge.

Woods So. Texas Manager

W. Tyson Woods has been appointed manager for Southland Life in south Texas with headquarters at Corpus Christi. He suceeeds Harry Wood, Jr., who has been there since 1949. Mr. Wood, who has been with Southland since 1944 asked to be relieved of managerial duties to return to personal production at Corpus Christi.

Mr. Woods started as an agent in south Texas in 1950 and has a notable production record.

New Regional Director

West Coast Life has appointed Robert Cecil, who has been manager at Los Angeles, as superintendent of agencies of the southwest division. W. L. Hardy, home office agency manager, becomes agency superintendent for the recently created north central Division which takes in the territory north, east and immediately south of San Francisco. S. Battleson, manager of the A. & H. department, is now agency superintendent for the central division. Mr. Hardy and Mr. Battleson will maintain headquarters at the home office.

Mr. Cecil was with the company in Manila and was a war prisoner from 1942 until 1945. Mr. Hardy has been with the company 20 years as agent and agency manager. He took over the home office agency in 1938. Mr. Battleson joined the company in 1924 and when its A. & H. department was organized.

Fischer at St. Louis

The basic necessity of maintaining a constant flow of competent, enthusiastic and energetic new personal producers so as to maintain a satisfactory and adequate volume of new business from year to year was stressed by Chester O. Fischer, vice-president of Massachusetts Mutual, in addressing General Agents & Managers Assn. of St. Louis.

He discussed the place of the general agent or branch manager in the production picture from the viewpoints of the general agent, an agency vice-president of a life company and the manner in which the general administrative vice-president of a company approaches the production situation, drawing on his experience in all three fields.

Loughrin Agency Honored

John P. Loughrin and associates in the general agency of Old Line Life at Oshkosh, Wis., were honored by company officials at a dinner meeting in that city as the first agency to fill its quota for 1951 in paid business. Paul A. Parker, agency director, was toastmaster.

Monroe Speaks at Newark

Pointing out that the public is always receptive to ideas for legitimate tax saving, Stuart A. Monroe, associate general agent for Mutual Benefit at New York City, told Newark C. L. U.'s that the practical aspects of estate planning are valuable as a selling point and also as a prestige builder for the underwriter.

"Life insurance can perform its intended service," he said, "only if it relates the objectives of the prospect to the inventory of his property and income."

Guarantee Mutual Conference

There were 50 general agents attending Guarantee Mutual's general agents' meeting at San Antonio. Information was given cocerning the company's new training program and new material which is being developed in the accident, sickness and hospitalization department.

Bankers Life of Nebraska has named George C. Spencer general agent at Seattle. Mr. Spencer has opened an agency in the Joseph Nance building. He has been an agent with Bankers Life of Iowa for 10 years at Portland, Ore.

OBSERVATIONS

More Pension Funding

Because taxes go up in 1952, corporations with pension plans may do more funding this year than they anticipated. This sort of thing often happens in trusteed plans or deposit administration arrangements where there is no fixed annual premium. But Treasury rules are strict and any firm can be assured that close scrutiny will be given to pension planning which seems to be guided more by tax avoidance than by pending objectives.

Prudential Helps the Press

Following its customary practice of providing editors with facts, Prudential has sent out a great amount of very useful background material about itself and its relations with its district agents in connection with the current strike. This material explains in elementary language where the company stands in the matter. It also goes to great pains to define for the non-insurance people who are editing and writing for newspapers just what district agents are and what such terms as "debit" mean.

This information is sent out in informal memorandum style to editors, bearing the signature of George M. Johnson, director of public information for Prudential. It has proven extremely useful even to insurance newspaper editors who would presumably be better posted than editors of general newspapers.

It is obvious that a company which takes the trouble to present such fact sheets to the press comes in for much fairer and more accurate treatment in news stories than a company which takes no such action or tries to evade responsibility for making any kind of statement of the issues to the press or to the public.

Support for War Clauses

The prolonged peace negotiations in Korea, accompanied by sustained fighting and increasing casualty lists, has convinced underwriters who advocated the use of war clauses that they were right. With the release of the recent atrocity reports and the addition of several thousand men to the death rolls they have received additional statistical support. Unlike the last war after which a great many prisoners returned, many of those now listed as missing in action or as prisoners may not be returning, if the tragic horror stories are believed.

Watch Steel Negotiations

Group men are very interested in the results of the current negotiations between the CIO steel workers union and U. S. Steel. The pattern may be set for future developments in the group business. Many employers will wait to see what steel does before they decide on welfare plans for their employes. To date the subject of welfare benefits or pensions seems to have had little if any discussion. Unions are more interested in take home pay, an annual wage guarantee and other benefits. These factors do not support the augury of a post freeze group boom.

LIFE AGENCY CHANGES

Equitable Society Names Four New Managers in East, Two in New York City

Four new agency managers have been named in the east by Equitable Society. J. Brooke Johnston, former manager at White Plains, N. Y., will now head the A. V. Ott agency of New York City. The White Plains agency will be operated as a district office. Mr. Ott is retiring.

L. G. Strouse has been named Providence manager. He succeeds John D. Kennon, who has been transferred to Springfield, Mass., as agency manager. Sidney J. Smith, former Springfield manager, has been transferred to New York to take over the L. A. Miner agency. Mr. Miner will continue as associate.

Mr. Johnston has been with the company since 1930 and was named manager at White Plains in 1945. Mr. Strouse joined the company in 1942 and has been a district manager at Washington, D. C. Mr. Kennon has been with the company since 1938 and has been Providence manager for a year and a half. Mr. Smith joined Equitable in 1943 and was named district manager at Youngstown, O., in 1946. He was appointed Springfield manager in 1949.

Prudential Appoints Three

Prudential has appointed three new managers in the far west. They are Herb H. Schilbe at Fresno; H. Dean Hoff, at Boise, Ida., and Wesley E. Lucas, at Santa Ana, Cal.

Mr. Schilbe has been assistant manager at San Diego and is a marine corps veteran of the last war. Mr. Hoff joined Prudential in 1944 and was appointed assistant manager at Idaho Falls in 1949. Mr. Lucas was assistant manager at Long Beach, and joined Prudential in 1939. He is a navy veteran of the last war.

Penn Mutual Names Smith to Succeed Clover at K. C.

Penn Mutual Life has appointed W. B. Smith general agent at Kansas City to succeed Wayne Clover, who will continue in personal production. Mr. Smith joined the company in 1938 at Faucett, Mo., and in 1949 he moved to Toledo, Mo. Mr. Clover had been general agent at Kansas City since 1938, and before that he was general agent at Wichita.

Bankers of Ia. Appoints Two

Bankers Life of Iowa has appointed two group representatives, Richard Burke at Detroit, and Dale Howe at San Francisco.

For the past four years Mr. Burke has been with the Michigan Hospital Service in sales and service work, and before that was in insurance sales work with his father in the C. F. Burke & Son agency at Detroit. He is a marine corps veteran of the last war.

Mr. Howe has been in group and individual A. & H. sales work in Los Angeles for the past three years. He is a navy veteran of the last war and had previously been in the home office of Bankers.

Travelers Shifts Eight in Northern Field Posts

Eight life appointments have been made by Travelers. William W. Frost, assistant manager at Milwaukee, has been appointed manager at St. Paul. Robert G. Hamilton, manager at Ottawa, has been transferred in the same capacity to Winnipeg.

New group supervisors are D. Currie at Montreal; Howard W. Reckhow at New York City, and Irving C. Davis at Boston.

New field supervisors are James H. Underwood at Rochester, N. Y. Duaine W. Killam at Duluth, and Ned D. Johnson at Bridgeport.

Flowers to Southern Nat'l

Sam Flowers has been appointed general agent of Southern National Life of San Antonio at Houston. He entered life insurance in 1946 as an agent of American General Life and since 1948 has been associate manager at Houston of American Hospital & Life. He is a graduate of Rice Institute, where he was a football star, and an air corps veteran.

Names Lindberg in Oregon

Monarch Life of Massachusetts has appointed Robert C. Lindberg general agent in Oregon. He most recently has been Washington special agent of Pacific National Fire, with headquarters at Seattle.

Prudential Names Sullivan

Prudential has appointed Daniel P. Sullivan manager at Buffalo, N. Y., to succeed the late Sidney Wertimer. Mr. Sullivan joined the company in 1934 at Buffalo and the following year he was appointed assistant manager there. Since 1929, he had been manager at Buffalo for Equitable of Iowa. He entered the business there in 1923. He is a past president of the Buffalo Assn. of Life Underwriters.

State Mutual Transfers 3

State Mutual Life has appointed three group representatives to field offices: Thomas L. Cheetham has been assigned to Cincinnati; Richard M. Davis has been named at Baltimore, and Charles F. Kitching will go to Boston.

L. A. C.L.U. Hears Davies

Edwin G. Davies, Los Angeles representative of Manufacturers Life, and a Million Dollar Round Table member, spoke to the Los Angeles C.L.U. on "Profitable Estate Planning." He emphasized that large estate planning cases should be combined with business insurance, and mentioned that incorporated partnerships are almost always important prospects in that executors can be relieved of the usual survival dilemna.

Confer on Management

Agency staffs of Continental Assurance conferred at Chicago recently on agency management and stimulation. Moderators for the week-long conference devoted to the three types of company agencies were: G. L. Gadness, agency field director, multiple line agencies with life managers; John T. Grant, Pacific Coast superintendent of agencies, indirect producing agencies, and Albert Morrison, superintendent of agents, direct producing agencies. Vice-president Harlow G. Brown outlined his methods for establishing new agencies.

COMPANY MEN

Metropolitan Advances 10 to New Home Office Posts

Norman Carpenter has been appointed second vice-president of Metropolitan Life. He will supervise the company's city mortgage loan operation during the absence on disability of Hillman B. Hunnewell, second vice-president. Mr. Carpenter has been with the Metropolitan since 1927, and has been an officer of the company since 1947.

Other new appointments in the home office are:

Louis G. Buisson, assistant vice-president, to third vice-president in city mortgages; George E. Walton, assistant general counsel, to be associate general counsel; John H. Beatty, general supervisor, planning and methods, to assistant vice-president in coordination; Henry H. Bellinger, administrative attorney, to assistant general counsel.

Don C. Buell, sales manager group division, to assistant vice-president group sales division; Milton A. Ellis, administrative assistant insurance relations, to assistant vice-president insurance relations; George P. Jenkins, manager industrial bond investments to be assistant vice-president bond and stock investments; Earl R. Trangmar, administrative assistant field management, to assistant vice-president field management; Fred Ulmer, formerly manager group division, to assistant vice-president group sales division.

Stark U. S. Life's Eastern Regional Group Manager

United States Life has appointed David D. Stark eastern regional group manager. As home office group representative, Mr. Stark wrote an unusual joint union and management trusteed welfare program of 1,000 lives in New York City. Recently he has been concentrating on sales and promotion work in connection with the company's "baby group" life and hospitalization plan.

He was graduated from New York Military Academy and attended Yale. After 5½ years in the army, he entered life insurance in 1945 as a personal producer with Reliance Life. He was successively a supervisor, group supervisor for a casualty company and associate general agent before joining U. S. Life in 1950.

Named Field Service Chief

North American Life & Casualty has appointed W. O. Johnson manager of the field service. His major function will be in the field of public relations.

Brion Named Publicity Assistant

John P. Brion has been appointed assistant director of publicity for Mutual Life. He joined the company's public relations division in 1946 and was previously with the financial news department of the New York Times. He also worked for the New York bureaus of the Milwaukee Journal and the St. Louis Post-Dispatch. He is an air force veteran of the last war and a graduate of St. Johns University.

New Ill. License Manual

The Hanson Insurance License Bureau of Springfield, Ill., has put out a "Manual of Examination" for agent and broker license applicants. This follows the action of the Illinois department in discontinuing to supply such a manual to applicants.

Adopts New Premium Notice

Old Line Life of Milwaukee has adopted new two-part premium notices for life and A. & H. with record of payment attached. When cash payments are made or a receipt is desired, it will be given if so indicated.

ASSOCIATIONS

Wisconsin Round Table Plans Milwaukee Meetings

Lester A. Wilbert, Northwestern Mutual, chairman of Wisconsin Life Insurance Leaders Round Table, has announced meetings to be held at Milwaukee Jan. 31 and March 27. At the January meeting Paul W. Cook, general agent of Mutual Benefit at Chicago, will speak on "The Sun Never Sets on Business Life Insurance," and William B. Minehan, assistant secretary of Northwestern Mutual, on "The Impact of New Federal Tax Laws."

Richmond, Va.—Members of the education and information committee are making themselves available for speaking engagements.

Little Rock, Ark.—Charles E. Eichenbaum, attorney, spoke on "Life Insurance and Taxes."

Sioux Falls, S. D.—Deane C. Davis, Northwestern National and a member of the South Dakota state legislature, reported on legislative matters.

Sioux City, Ia.—Harold Miller, president of the state association, spoke on an insurance man in action. Prior to the meeting, Mr. Miller discussed state and local association affairs with the directors of the Sioux City association.

Bluefield, W. Va.—The L.U.T.C. course has 33 enrolled with James L. Whitt, Jefferson Standard, as instructor.

Officers elected by the class are: J. F. Williams, People's Life, president; A. W. Turner, Kentucky Central, vice-president; Clifton B. Hall, Metropolitan Life, secretary.

Quincy, Mass.—Frank W. Banghart, psychology instructor at Quincy College, spoke on "The Power of Suggestion in Selling" emphasizing that the heart of selling is to appeal to basic human motives. By this method, he said, salesmen are serving because they help people to recognize needs of which they hadn't before been aware. Mr. Banghart is also the instructor for the Quincy L.U.T.C. course.

Chicago—A clinic was conducted on "The Approach for Personal Life Insurance Selling," featuring Walter E. Fox, Union Central; Michael Kaiser, John Hancock, Paul W. Cook, Mutual Benefit. The subjects discussed were prospecting and the one-interview sale vs. the two-interview closing system. The meeting was later opened to general discussion and comment was hot and heavy.

Hutchinson, Kan.—General Agent Al Noyce, Franklin Life, Salina, Kan., spoke on public relations. There were 10 new members added and 17 members enrolled in the first L.U.T.C. class.

Order Arrest of Witness in American of Ala. Suit

An arrest order has been issued for Basil P. Autrey, former agency director for American Life of Birmingham and a key witness in a stockholders suit filed against officers of the company. Mr. Autrey has purportedly evaded subpoena.

As reported in THE NATIONAL UNDERWRITER, Nov. 30, the suit asks judgment of $1,250,000 against three top officers in favor of the company. Mr. Autrey, while not named as a defendant, is alleged to have collected kick-back commission which he split with at least two of the named defendants.

Meanwhile Horace Wilkinson, attorney for three of the suing stockholders, has asked Eugene Hawkins for access to the company's books. Judge Hawkins has suspended judgment. Hugh Locke, a member of the board and attorney for the directors, argued that Wilkinson "had no right" to examine the books. He charged that the suit grew out of a stockholders' "conspiracy."

The 60th Kansas-Missouri football game Dec. 1 at Lawrence was broadcast by **Manhattan Mutual Life** of Manhattan over radio station KSAL at Salina.

MANAGERS

Pitcher Elected President of Boston Managers

Robert B. Pitcher, John Hancock, was elected president of General Agents & Life Managers Assn. of Boston. William R. Robertson, Massachusetts Mutual, is vice-president; Laurence E. Olson, Prudential, treasurer, and Winslow S. Cobb, Jr., Connecticut Mutual, secretary.

Wichita Cashiers Elect

Wichita Life Cashiers Club has affiliated with National Assn. of Life Agency Cashiers and had three delegates at the convention at Dallas. New officers of the Wichita club are Nadine Glover, Brown, Ginzel & Co., president; Izola Hawbecker, Mutual Benefit, vice-president, and Ruth Crawford, Union Central, secretary.

N. J. Joint Party at Newark

General Agents & Managers Assn. and Supervisors Assn. of Northern New Jersey, held a joint Christmas party at Newark this week. There was a cocktail hour preceding the dinner.

Chattanooga Sales Panel

The Chattanooga Managers and General Agents Club heard a sales panel composed of Hays Pogue, Interstate Life & Accident; John H. Moorfield, Metropolitan; John Humphries, Massachusetts Mutual, and Alson R. Kemp, New England Mutual.

Fort Worth Managers Meet

Felix Hargis, Jefferson Standard Life, reviewed chapter 17 of the book "How to Build a Successful Life Insurance Agency" at a meeting of the Fort Worth Managers & General Agents Club. Tom Moody of Connecticut Mutual reviewed chapter 18. Plans were discussed for a Christmas party Dec. 14.

The **Chicago cashiers** will hold their annual Christmas party Dec. 14 at the Parsons agency of Mutual Benefit Life.

Floyd Rosenfelt, Connecticut Mutual general agent at Toledo, spoke to the Nebraska managers association on "Agency Building, Plus Better Days Ahead for Good Life Underwriters."

Hatcher Examines Career Opportunity at S. C. Meet

The career opportunities in life insurance were examined by Robert V. Hatcher, president of Atlantic Life, at the South Carolina Insurance Days meeting, and he concluded that "Life insurance, an honorable and beneficial calling is the cornerstone of our democratic way of life."

Enthusiastically he portrayed the life career as socially beneficial, saying that it offers adequate income and security, and that it provides growth and permanency.

Mr. Hatcher noted that of the 350,000 individuals in the country in the life insurance business, 200,000 are engaged in selling. He offered a challenge to these 200,000 stating that the present level of real purchasing power of American Families indicates a need for 60% more life insurance to equal their pre-war protection.

Expect VA Gratuity Rules

WASHINGTON—The VA is expected to issue soon regulations under public law 23 that will provide for servicemen's gratuitous indemnity and special forms of insurance for veterans serving since the beginning of the Korean campaign, June 27, 1950.

XUM

NEWS OF LIFE COMPANIES

Ingalls Heads American Guaranty, Ore. Newcomer

American Guaranty Life has been organized at Portland, Ore., with a home office at 715 Broadway. This is a stock company with $100,000 surplus and $100,000 capital. The company is to sell life, A. & H. and hospitalization. Officers are A. C. Ingalls, president; J. M. Housely, vice-president, and G. R. Reynolds, secretary.

Mr Ingalls was at one time president of International Life of Texas. He retired in 1947 and moved to Los Angeles, but reentered the business in 1948 with a son as general agent for International Life at Phoenix. Mr. Housely has been in the real estate business at Roseburg, Ore., and Mr. Reynolds was in business with Mr. Housely. These three officers are major stockholders in addition to Vernon Keel, and Hans T. Hansen, who are in the automobile sales business, Dale L. Woodruff, formerly district agent for Franklin Life, all of Roseburg, and Glenn Long of Canyonville. Counsel is Avery W. Thompson of Roseburg. Director of agencies is to be Robert A. Lovlien, formerly an agent for Canada Life in Oregon.

Great West Business Up 17%; November Record Set

New business for Great-West Life for the year through Nov. 30 totaled $270 million, an increase of 17% over the same period last year. November sales totaled $28,300,000, a company record for that month.

Winnipeg led the branch offices with $1,800,000 for the month. California was second and Chicago placed third in recording its 89th $1 million month. Montreal, Toronto, and Vancouver, B. C., also totaled over $1 million. Max Seigler of Montreal was individual leader with $361,000. Fletcher Carscallen of Cleveland was second with $307,000, and Paul Siegner of London, Ont., totaled $287,000.

New York Life Extends Remittance System to All

New York Life will extend its remittance slip system to all branch offices. The system eliminates mailed premium notices. It was tested in branch offices at St. Louis, Kansas City, Milwaukee, Pittsburgh, and Fort Wayne, Ind.

A specially designed remittance folder, consisting of 12 enevelopes, the inside flap of each being used as a remittance slip, was used in all monthly premium cases. The enevelope flaps are perforated to show the policy number, premium due, and date due. The policyholder encloses his payment and seals the envelope which is pre-addressed to the branch office handling his business. No coupon book is involved. The new remittance folder is delivered to the policyholder by the agent when he delivers the policy. The cover of the folder provides for a record of payment for a complete year.

According to the company, the new system will save $50,000 annually per 100,000 policies in reduced clerical, postage and printing costs.

Licensed in More States

As a result of the merger of Illinois Bankers Life into Central Standard Life of Chicago, the latter company has become licensed in Arizona, Colorado, Florida, Maryland, Oklahoma, Virginia and District of Columbia. These are the jurisdictions in which Illinois Bankers was licensed and Central Standard was not.

Occidental Life has moved its Washington, D. C., office to the new Wyatt building at 14th street and New York avenue.

Examination Report Shows Growth of United, Chicago

United of Chicago had assets of $17,528,776 at Dec. 31, 1950, according to the report of the convention examination on the part of Illinois, Virginia, Tennessee and Arkansas. Capital was $1 million and net surplus $5,337,009. Examiners include a table showing the growth of United during the past decade in premium income, assets and surplus. In 1941 the premium income was $1,749,100, assets $1,027,903 and surplus to policyholders $348,656. By 1945 the comparable figures had increased to roughly $7 million, $5.2 million and $2.7 million. In 1948 they were $15.4 million, $10.4 million and $4.4 million. In 1950 the premium income was $18,444,423. Ordinary life insurance in force was $23,254,281 and industrial, $65,060,527.

The principal officers are O. T. Hogan, president; A. D. Johnson, secretary-treasurer; J. R. Hogan, executive vice-president; G. B. Hiser, vice-president and general attorney; J. M. Penrith, vice-president and assistant secretary; H. G. Rockwood, vice-president, and P. W. Schwibert, actuary.

Occidental Raises Pensions 50% for Salaried Workers

Occidental Life has approved a 50% increase in pensions for its salaried employes. More than 1,500 home office and branch employes are effected by the increase which also applies to those already retired. No additional contributions will be required from the employe in order to receive the increased pension which may go to the top limit of $500 monthly.

Fidelity Mutual Declares Higher Dividend Scale

Fidelity Mutual Life has declared a higher dividend scale for 1952 on new policies and policies issued on the C.S.O. basis since Jan. 1, 1948. On prior issues the current scale is being continued except that there is a downward adjustment on full-paid and old issues with outdated interest assumptions and settlement options. The minimum interest rate on dividend accumulations has been increased from 2¾% to 3%.

Conn. General Dines Vets

There were 141 of the 169 members of the Twenty-Five Year Club of Connecticut General guests of the company at a dinner. The club, whose members' service with the company totals 5,142 years, was organized in 1941 with 31 members.

Dividend by Aetna Life

Aetna Life has declared a quarterly dividend of 50 cents and an extra dividend of 50 cents a share. The dividends, payable Jan. 2 to stock of record Dec. 2, are the same as those paid this time last year.

Colonial Life Dividend

Colonial Life recently has declared a dividend of $1 per share on its stock payable Dec. 11 to stockholders of record Dec. 4.

Security Life & Accident held a one-week home office basic training course at Denver. The company plans to conduct at least two basic schools and two advanced schools each year.

International Life will open its new home office building at Austin, Tex., Dec. 10.

United Benefit Life has purchased the St. Louis plant of the Englander Co., mattress manufacturers, and leased it to the company until Nov. 30, 1971.

Much Solid Work Done by N.A.I.C. at N. Y.

(CONTINUED FROM PAGE 1)

the general chairman and there was oratory by Ray Lucas of Kansas City Life and C. F. J. Harrington of National Assn. of Casualty & Surety Agents among others.

Ray Murphy of Assn. of Casualty & Surety Companies transmitted the all-industry committee's report in connection with the development of agents and brokers qualification and licensing. A draft of a model bill was submitted. The bill covered all types of producers including life.

C. M. Dunaway, counsel of Nat'l. Assn. of Life Underwriters, alluded to a letter on file with the committee objecting to the model bill, expressing hope that the commissioners will give serious consideration to the adoption of the N.A.L.U. model bill dealing with life agents only, which has already been enacted into law in several jurisdictions.

At the first plenary session Monday morning, Superintendent Bohlinger of New York extended the welcome and Commissioner Martin of Louisiana responded. The zone chairmen introduced the new commissioners in their areas and Sullivan of Washington state announced the death Nov. 30 of Roy Rummage, the Arizona commissioner.

An auditing committee was named consisting of Murphy of South Carolina, chairman, and Leggett of Missouri and Maloney of California.

Wants Stronger Headquarters

Frank Sullivan of Kansas in his presidential address made a plea for increasing the personnel and facilities of the central office. This now consists of the assistant secretary — Hugh Tollack — and a stenographer. In support of this he read a letter from Fire Commissioner Paul Brown of Texas asking that the central office prepare an abstract of N.A.I.C. discussions over the years on a permissible loss ratio for fire insurance, so that what has gone before can be integrated into the deliberations. Mr. Sullivan said that this is the kind of thing the central office should be expected to do, but which it is not set up to do now.

Also he said there should be means for apprising immediately every commissioner of every recommendation that is made by N.A.I.C. There should be a system to acquaint new commissioners with the reasons for model legislation, rules and policies recommended in the past and the availability of data which would help them in their local situation. Without such circulation of intelligence, the effectiveness of the work of the association is lost.

What can be done along this line, he said, is illustrated best by the work of the committee on valuation of securities.

Atomic Hazard

On the life insurance side Mr. Sullivan said:

"For over a year, the life committee has had upon its agenda the question of the effect on mortality of atomic bombing. It is quite obvious that it is not possible today to state with any degree of certainty what would be the extent to either person or property of such devastating weapons, and we are advised, also, that there are other weapons of great destructiveness in the course of development. The problem as it impinges on various lines of insurance is quite different. These are problems peculiar to the life insurance business, and it is for that reason that this subject is having the consideration of the life committee.

"The life insurance companies have outstanding hundreds of billions of dollars of insurance which cover the risk of death from atomic bombing. There is probably no way whereby they could divest themselves of that risk even if they did exercise their privilege under the laws of some of our states, to issue policies which would exclude such risk. The companies, therefore, have been addressing themselves to the problem of minimizing the effect in the event of catastrophe death losses by the attempt to prepare a plan whereby the risk of catastrophe war loss would be apportioned among all the companies so that any company participating in such a plan might protect itself against the element of chance that it might be the victim of claims in disastrous amounts. The intent is to place behind the policies of all companies participating in the plan the resources of all of them on a pro rata basis.

"The concept of such a plan has far-reaching implications. Not only does it have within it a framework designed to protect individual companies against an unusually heavy impact of serious losses arising under risks of which they are unable to divest themselves; but it does demonstrate the willingness of an industry to cooperate in the meeting of unusual hazards, all of which redounds to the security of the benefits for which policyholders in our various states look to the companies for delivery. It is a plan which should be studied carefully by us not only because of these proper purposes, but as a help to us in satisfying ourselves of the security of the institutions that serve our people."

The 1952 annual meeting is set for a good two weeks later than usual. It will be June 22-25 at Chicago's Conrad Hilton, nee Stevens.

At the laws and legislation committee meeting Wednesday morning Kavanagh of Colorado reported on the uniform deposit law project based mainly on the hearing at Denver in September. He also recommended continued study of security and insolvency funds.

War Clause Amendment Approved

At the plenary session Wednesday afternoon the war clause amendment was approved. Maloney of California posed a hypothetical situation by way of ascertaining the effect of elimination of the home area concept. He asked whether a man in uniform on furlough at home in this country would be covered if he were killed by an enemy bomb. Mr. Bohlinger replied that the sole change in the statement of principles is to remove the authorized exclusion, he said, would not apply to the sion he, said would not apply to the soldier killed in this way. If it would apply to him it would in effect be a status clause, which is beyond the pale of the statement of principles.

At the plenary session Wednesday afternoon the subcommittee on uniform deposit bill was continued in existence for the purpose of drafting such a bill incorporating the principles that were outlined as a result of the hearing at Denver in September.

The subcommittee on a model agents and brokers bill was instructed to study the measure outlined by the industry committee and to report back in June.

A subcommittee was created by action of the association at the final plenary sesison to pursue the idea advanced by Stone of Nebraska that the N.A.I.C. central office be expanded to provide research and other facilities and that the states contribute to the support of this office in the proportion that the premium income of their domestic companies bears to the total. Cheek of North Carolina is chairman, and the members are Knowlton of New Hampshire and Dickey of Oklahoma.

Reception for Walkers

Officers and directors of Wisconsin National Life and their wives were guests of President and Mrs. Robert P. Boardman at a reception at their home for Mr. and Mrs. Ralph P. Walker. Mr. Walker recently joined the company as actuary, succeeding Allen C. Eastlack, who resigned to go with Bankers Security Life at Des Moines. Mr. Walker previously was with Illinois Bankers Life.

New Draft Section 213 Text Continued

(CONTINUED FROM PAGE 2)

sic value, given not as compensation but as bona fide recognition of merit.

§302. Limitation on Commissions

1. This section shall apply to commissions, other compensation and security benefits for agents except that subsections three, four, five and six shall apply only to the extent prescribed in subsection eight to commissions, other compensation or security benefits (i) provided for in any contract for service as an agent entered into before Jan. 1, 1952, or (ii) provided for, in the case of a company not authorized to issue policies and annuity contracts in this state on Dec. 31, 1951, in any contract for service as an agent if the agent is not licensed in this state and the contract was entered into before the company was so authorized on or after Jan. 1, 1952.

2. (a) Before a company shall adopt any new or revised scale of commissions or other plan of compensation or of security benefits it shall furnish the superintendent evidence of the effect thereof. Such evidence shall be compiled in a manner satisfactory to the superintendent and, unless otherwise provided by other subsections, shall include all compensation and emoluments by reason of being an agent but shall not include special payments with respect to military service under a program approved by the superintendent.

FAIR SAMPLE

Except in the case of a newly organized company, such evidence shall include a fair sample of the distribution of policies and annuity contracts being issued by the company and such other data as the superintendent may require. If a company issues monthly debit insurance policies, the fair sample shall show separately the distribution of such policies. Upon determination by him that such scale or plan would not result in a violation of the limitations prescribed by this section he shall approve such scale or plan.

(b) Whenever in the opinion of the superintendent the sample of the policies and annuity contracts used as the basis for such evidence no longer fairly represents the distribution of the policies and annuity contracts then being issued by the company, he may require submission of additional evidence on the basis of a current fair sample; and he may withdraw approval of such scale or plan if such additional evidence indicates that the limitations prescribed by this section are being exceeded; provided, however, that if the limitations prescribed by this section are not exceeded on the basis of the current fair sample and the interest rates, policy discontinuance rates in effect at the time of the approval of such scale or plan, no change shall be required in then existing contracts for service as an agent, and provided further that such withdrawal of approval shall not in any event require change in compensation or security benefits with respect to business written prior thereto.

"Grandfather" Clause

(c) All commission scales and other plans of compensation or of security benefits in use immediately prior to Jan. 1, 1952, by companies then authorized to issue policies or annuity contracts in this state shall be deemed to comply with the requirements and limitations prescribed by this section, unless the superintendent shall determine that any such commission scale or other plan of compensation or of security benefits needs current justification, in which event he may proceed under paragraph (b) of this subsection as though such commission scale or other plans of compensation or security benefits had been approved by him under paragraph (a) of this subsection as of Jan. 1, 1952.

3. No company shall pay, on premiums or stipulated payments for the first 15 years of policies, other than monthly debit policies, or annuity contracts, commissions at such rates as will produce, for the fair sample provided for in subsection two, either (i) a commuted value of all such commissions in excess of the sum of items (a), (b), (c), and (d), or (ii) total first year commissions in excess of the sum of (c) and (d) and six-tenths of (a) and (b):

(a) on premiums other than single premiums, the commuted value of 10% of the premiums payable for the first 15 years of insurance less the commuted value of 4% of the excess, if any, of each of the premiums payable for the first 15 years over the corresponding premium for a whole life policy with level premiums payable during life calculated on a basis consistent with the premium for the policies for which the commuted value is being determined;

(b) on stipulated payments other than single stipulated payments, the commuted value of 6% of the stipulated payments payable for the first 15 years of the annuity contract;

(c) on single premiums and single stipulated payments, 3% thereof;

(d) one dollar for each $1,000 of new life insurance.

4. No company shall pay on any policy, other than a monthly debit policy, or on any annuity contract (a) a commission for the first year of the policy or contract in excess of 55% of the premium or stipulated payment, (b) a commission for any subsequent year of the policy or contract in excess of 15% of the premium or stipulated payment for that year except with the approval of the superintendent, (c) commissions for the first two-year period of the policy or contract totaling in excess of 35% of the premiums or stipulated payments for such period, (d) commissions for the first three-year period of the policy or contract totaling in excess of 27% of the premiums for such period, (e) commissions for the first 15 years of the policy or annuity contract with a commuted value in excess of the commuted value of 10% of the premiums or stipulated payments for such 15 years, except term insurance providing for less than 15 annual premiums, or (f) on term insurance providing for less than 15 annual premiums, commissions with a commuted value, expressed as a percentage of the first-year premium, in excess of the corresponding percentage permitted for a term policy with premiums payable for 15 years.

SECURITY BENEFITS

5. On other than monthly debit policies a company may pay compensation in whole or in part under a plan other than commissions and may provide security benefits according to a plan in writing, but in no event shall the sum of the commuted value, determined on the basis of the fair sample provided for in subsection two, of (a) commissions on permiums or stipulated payments for the first 15 years of policies or annuity contracts, (b) other compensation, excluding (1) training allowances treated as agency expense under the provisions of subsection 10 and (2) compensation provided under subsection six, and (c) security benefits other than those provided under subsection six, exceed in the aggregate the commuted value of all commissions permitted by subsection three.

Maximum Aggregate

6. No company shall pay on policies, other than monthly debit policies, or annuity contracts compensation after the first 15 years of the policies or annuity contracts which, determined on the basis of the fair sample provided for in subsection two, shall exceed 3% of the premiums or stipulated payments payable after such first 15 years, except that any excess of compensation and security benefits permitted by subsection five over compensation actually payable and security benefits actually provided thereunder may be paid after such first 15 years. The commuted value of the compensation permitted by this subsection, less the commuted value of any such compensation actually payable, may be used to provide or augment security benefits.

7. (a) No company shall pay for the sale and service of monthly debit insurance commissions at such rates as will produce, for the fair sample provided for in subsection two, either (i) a commuted value of all commissions in excess of the sum of items (1), (2) and (3) or (ii) commissions for obtaining new insurance in excess of (1):

(1) 55% of first year premiums on monthly debit insurance, less 20% of the excess of the first year premiums on such insurance over what such premiums would have been if all such insurance had been issued on the whole life plan;

(2) the commuted value of 8% of all premiums on monthly debit insurance;

Company Size Brackets

(3) for contracts for service as an agent entered into when the company on the date of such contracts has in force total debit insurance including industrial life insurance amounting in the aggregate to: less than $500 million but more than $350 million, the commuted value of one-half percent of all preniums on monthly debit insurance: less than $350 million but more than $200 million, the commuted value of 1% of all premiums on monthly debit insurance; less than $200 million but more than $100 million, the commuted value of 1½% of all premiums on monthly debit insurance; less than $100 million but more than $50 million, the commuted value of 2% of all premiums on monthly debit insurance: less than $50 million but more than $25 million, the commuted value of 2½% of all premiums on monthly debit insurance; less than $25 million, the commuted value of 3% of all premiums on monthly debit insurance.

ALTERNATE LIMIT

(b) On monthly debit insurance a company may pay compensation in whole or in part under a plan other than commissions and may provide security benefits according to a plan in writing, but in no event shall the sum of the com-

muted value of (1) all commissions, (2) other compensation excluding training allowances treated as agency expense under the provisions of subsection 10, and (3) security benefits exceed in the aggregate the commuted value of all commissions permitted by this subsection.

(c) Evidence of compliance with the terms of this subsection furnished the superintendent shall be based on the fair sample provided for in subsection two and in compiling such evidence all compensation other than payments expressed as a percentage of premiums, exclusive of compensation included in the cost of obtaining new insurance, shall be measured by relating the amount of such compensation for a current period to the monthly debit insurance premiums payable for such period and applying the resulting percentages to the premiums of the said fair sample.

Insurance Already in Force

(d) No company shall adopt any increased scale of commissions or other compensation with respect to monthly debit insurance already in force such that the aggregate of compensation to be paid thereafter with respect to such insurance will be a greater percentage of the premiums than the compensation provided for similar services under agents' contracts currently made by the company which meet the requirements of this article. Security benefits which are to be based on future services on monthly debit insurance already in force shall not be increased except with the approval of the superintendent, and in no event above similar benefits granted by the company under agents' contracts for servicing monthly debit insurance entered into after the company has become subject to this article.

8. (a) No increase in compensation or security benefits based on policies, other than monthly debit policies, or annuity contracts issued before Jan. 1, 1952, or prior to the date the company became subject to this article, whichever is later, may be made except with the approval of the superintendent nor in any event unless the limitations prescribed by this article would not have been exceeded had such increase been included in the plan of compensation or security benefits with respect to such policies or annuity contracts as of their commencement date. In considering an application for approval of an increase under this paragraph the superintendent may take into account the limitations prescribed by section 213 of chapter 28 of the consolidated laws, as amended and in force immediately prior to the effective date of this article.

(b) No increase in compensation or security benefits based on policies, other than monthly debit policies, or annuity contracts issued on or after Jan. 1, 1952, or on or after the date the company became subject to this article, whichever is later, may be made after such policies or annuity contracts are in force unless the limitations prescribed by this article would not have been exceeded had such increase been included in the plan of compensation or security benefits with respect to such policies or annuity contracts as of their commencement date; provided that no such increase may be made with respect to any agent except on policies or annuity contracts written or currently serviced by him.

9. (a) No company shall make any loan or advance to an agent without taking adequate collateral security. Such security may be first year commissions earned or to be earned by the agent or other commissions, provided such commissions are payable to the agent regardless of whether his active service continues. Such loans and advances in any calendar year less repayments in such year of any loans and advances shall not exceed in the aggregate the limit prescribed in paragraph (b) of this subsection.

$1 TO $15,000 RANGE

(b) The limit referred to in paragraph (a) of this subsection shall be the amount which the company could have paid as additional first year commissions during the year without exceeding the limitations prescribed by this section, but shall in no event be less than $15,000 or more than $1 for each $1,000 of new insurance paid for during the year.

(c) No company may allocate loans and advances for agents to any kind of insurance business to which this article does not apply in excess of the proportion that the amount of first year commissions paid during the year on such business bears to the amount of first year commissions paid during the year on its combined business; provided, however, that the amount that may be so allocated may with the approval of the superintendent be determined on another basis, if more appropriate.

Training Allowances

10. (a) In addition to any allowances included in compensation under other subsections, a company may pay reasonable training allowances to new agents whose principal business activity is the solicitation of business primarily for it, provided that

(1) such additional allowances do not extend beyond the first three years of the new agent's service with the company as agent and are according to a plan approved by the superintendent;

(2) no compensation other than first year commissions is payable to the new agent after termination of his service with the company on business written during the period while he was receiving such an additional allowance;

(3) such additional allowances in any calendar year to all such new agents do not exceed in the aggregate the greater of: (i) 5% of the agency expense limit for the preceding calendar year, as prescribed by subsection two of section 203, or (ii) 30% of the first year premiums and stipulated payments, excluding single premiums and single stipulated payments, paid during the current calendar year on business written by new agents while receiving such additional allowances; and

(4) such additional allowances are included as agency expenses in paragraph (b) of subsection one of section 203.

Must Be a New Agent

(b) No agent shall be considered a new agent under this subsection if for more than six months during the five years immediately preceding the commencement of his service with the company as agent his principal business activity has been the solicitation and servicing of life insurance policies or annuity contracts as an agent.

(c) No company may allocate any such additional training allowances for agents to any kind of insurance business to which this article does not apply in excess of the proportion that the amount of first year commissions paid during the year on such business written by them while receiving such allowances bears to the amount of first year commissions paid during the year on the combined business written by them; provided, however, that the amount that may be so allocated may with the approval of the superintendent be determined on another basis, if more appropriate.

11. In the case of agency office personnel who are responsible for supervision of agents or agency offices and who assist agents in the joint solicitation of business without division of commissions, that portion of their compensation which is allocable to such joint solicitation may be treated by the company as compensation to agents subject to the limitation contained in this section, provided that the amount so treated does not exceed 5% of aggregate first year premiums and stipulated payments.

§303. Limitation on Agency Expenses

1. The following shall be agency expenses:

(a) compensation of all agency office personnel including agency managers and others responsible for supervision of agents and agency offices but excluding, except as otherwise provided in paragraph (b) of this subsection, such compensation as is based on service as an agent and such as is treated as compensation to agents in accordance with subsection eleven of section 302;

(b) those training allowances to new agents paid under subsection ten of section 302;

(c) cost of security benefits for agency office personnel other than benefits based on service as an agent;

(d) travel, rent and other expenses of agency offices neither included nor excluded by other paragraphs of this sub-

section;

(e) cost of agents' and agency managers' conventions;

(f) compensation, other than that based on service as an agent, and expenses of persons on the home office or regional home office staffs who spend more than one-third of their time in the field in connection with either the production of new business or agency supervision or both, other than in connection with audits or the medical examination or inspection of risks or proposed risks;

(g) 60% of the expense of advertising;

(h) loans and advances made to agency managers less repayments of any such loans or advances whenever made, unless such loans or advances are made under subsection nine of section 302;

(i) special payments with respect to military service of agents and of all persons whose compensation is treated as agency expense.

2. The agency expense limit shall be computed for each calendar year separately and shall be the sum of the following:

(a) for insurance other than monthly debit insurance either (1) 20% of the first year premiums and stipulated payments received during the year, or (2) 10% of such first year premiums and stipulated payments plus $3 for each $1,000 of new insurance and $100 of annual income under new annuity contracts paid for during the year and in force at the end of the year, whichever is the greater, excluding premiums and insurance under single premium policies and excluding stipulated payments and annual income contracts;

(b) for monthly debit insurance, $5 for each $1,000 of new insurance paid for during the year and in force at the end of the year;

(c) 1½% of single premiums and single stipulated payments received during the year;

Company-Size Basis

(d) the sum of the following amounts for policies and annuity contracts in force at the end of the year on a premium-paying basis, but not less than $25,000: $1 for each policy other than monthly debit insurance policies and each annuity contract, 50 cents for each monthly debit insurance policy, 50 cents for each monthly debit insurance policy which is not assigned to an agent for regular collection of the premium;

(e) the sum of the following amounts for insurance in force at the end of the year, each $100 of annual income under annuities excluding optional settlements involving life contingencies to be considered as $1,000 of insurance for the purposes of this paragraph: $2.50 for each $1,000 of the first $100 million of insurance; $2 for each $1,000 of the next $100 million of insurance; $1.25 for each $1,000 of the next $300 million of insurance; $1 for each $1,000 of insurance in excess of $500 million; $3 for each $1,000 of the first $100 million of monthly debit insurance; $2 for each $1,000 of the next $50 million of monthly debit insurance; $1 for each $1,000 of the next $50 million of monthly debit insurance.

3. Except as otherwise provided in this article, no company shall incur in any calendar year agency expenses which, when added to its agency expenses for the calendar year immediately preceding, exceed the sum of its agency expense limits for such two years, giving effect to the adjustments, if any, under section 305; provided that its agency expenses and its agency expense limit for any calendar year before 1952 or for any calendar year in which it was not authorized during any part thereof to issue policies or annuity contracts in this state shall be disregarded.

§304. Limitation on General Expenses

1. General expenses shall be all expenses, including agency expenses, except the following:

(a) commissions and other compensation for agents, exclusive of those training allowances to new agents paid under subsection 10 of section 302;

(b) the current annual cost of security benefits for service as an agent, outlays for all contractual security benefits based on services prior to the current year, and outlays for all non-contractual security benefits other than actual payments;

(c) cost of medical examination and inspection of risks or proposed risks;

(d) taxes, licenses and fees;

(e) other outlays exclusively in connection with real estate;

(f) commissions on mortgage loans, or salaries and expenses in lieu thereof;

(g) other actual investment expenses, not exceeding three-tenths of 1% of the company's mean invested assets during the calendar year;

(h) loans and advances made to agents under subsection nine of section 302 less repayments of any such loans or advances whenever made.

2. The general expense limit shall be computed for each calendar year separately and shall be the sum of the following:

(a) the sum of teh following amounts for policies and annuity contracts in force at the end of the year on a premium paying basis, but not less than $25,000; $1 for each policy, other than monthly debit policies, and each annuity contract; 50 cents for each monthly debit policy; 25 cents for each monthly debit policy which is not assigned to an agent for regular collection of the premiums;

(b) the sum of the following amounts for insurance in force at the end of the year, but not less than $75,000, each $100 of annual income under annuities excluding optional settlements involving life contingencies to be considered as $1,000 of insurance for the purposes of this paragraph: $2.50 for each $1,000 of the first $200 million of insurance; $2.25 for each $1,000 of the next $200 million of insurance; $2 for each $1,000 of the next $200 million of insurance; $1.75 for each $1,000 of the next $200 million of insurance; $1.50 for each $1,000 of the next $200 million of insuarnce; $1.25 for each $1,000 of the next $9 billion of insurance; $1 for each $1,000 of insurance in excess of $10 billion;

(c) $5 for each $1,000 of death claims paid during the year on life insurance policies;

(d) $2.50 for each $1,000 of reserve maintained at the end of the year for policy or annuity proceeds that have been left with the company under optional settlements;

(e) $15 for each $1,000 of reserve maintained at the end of the year for disability claims which have ben incurred;

(f) the amount of the agency expense limit prescribed by subsection two of section 303.

3. Except as otherwise provided in this article, no company issuing participating policies or participating annuity contracts in this state shall incur in any calendar year general exppenses for the calendar year immediately preceding, exceed the sum of its general expense limits for such two years, giving effect to the adjustments, if any, under section 305; provided that its general expenses and its general expense limit for any caelndar year before 1952 or for any calendar year in which it was not authorized during any part thereof to issue participating policies or participating annuity contracts in this state shall be disregarded.

§305. Procedure When Company Exceeds Limitations

1. If in any calendar year a company exceeds its limitation on agency expenses prescribed by section 303 or its limitation on general expenses prescribed by section 304, the superintendent, upon written application of such mompany is being properly and economically conducted, may in his discretion either:

(a) permit such company to adjust its agency expense limit or its general expense limit or both as prescribed in subsections two or three, or

(b) waive the amount by which its expenses exceed its corresponding limit in the first year of any period of two consecutive calendar years, or

(c) suspend the limitation on either agency expenses or general expenses or both if h is satisfied that the company has taken steps which will nable it to comply with the limitations of such sections and all other requirements of this article during the next calendar year; but no such suspension shall be granted to any one company for more than two calendar years in succession.

2. In any calendar year a company's adjusted agency expense limit shall be the amount obtained by multiplying such company's agency expense limit for the current year under section 303 by 100% plus the excess over 75%, if any, of the ratio, expressed as a percentage, obtained by dividing (a) by (b) next following: (a) the aggregate agency expenses for the current year of all companies which shall have issued policies or annuity contracts in this state both in the current year and in the year 1951; (b) the corresponding aggregate agency expense limits for the current year of all companies specified in (a).

3. In any calendar year a company's adjusted general expense limit shall be the amount obtained by multiplying such company's general expense limit under section 304 for the current year by 100% plus the excess over 75%, if any, of the ratio, expressed as a percentage, obtained by dividing (a) by (b) next following: (a) the aggregate general expenses for the current year of all companies which shall have issued participating policies or participating annuity contracts in this state both in the current year and in the year 1951; (b) the corresponding aggregate general expense limits for the current year of all companies specified in (a).

§306. Compensation for Agency Managers

1. This section, except for subsection five, shall apply only to contracts for service as an agency manager entered into after Jan. 1, 1952. No amendment may be made after said date to any contract for service as an agency manager entered into before said date which would increase the compensation payable thereunder after termination of the agency manager's service as such above the amounts permitted by this section.

2. No company shall pay for service as an agency manager after termination of such service (1) any compensation on business written after the termination of such service, or (2) any compensation except overriding commissions on policies or annuity contracts issued after the effective date of the agency manager's contract for service and for which provision has been made before termination of such service. With respect to premiums and stipulated payments received after termination of such service, such overriding commissions on first year premiums and first year stipulated payments shall not exceed 5% of such premiums and stipulated payments and all other such overriding commissions

shall not exceed in commuted value 2% of the commuted value of the future premiums and stipulated payments for fourteen years after the first year of such policies and contracts.

3. The limitations prescribed by subsection two shall not restrict payment of security benefits.

4. Contracts for service as an agency manager shall be terminable by the company either at will or upon reasonable notice.

5. No company shall make any loan or advance to an agency manager without taking adequate collateral security. Such security may be first year commissions earned or to be earned by the agency manager or other commissions, provided such commisions are payable to the agency manager regardless of whether his active service continues.

§307. Penalty

Any person who wilfully violates a provision of this article shall, in addition to all other penalties provided by law, be liable to the people of this state for a penalty not to exceed $1,000 for each such violation.

N.A.I.C. Considers Military Problems

(CONTINUED FROM PAGE 6)

out war clause in the interim. They were crossed up by Korea. There is an unfortunate law in Texas, he remarked, permitting a life company to be launched with $25,000 capital and $12,500 net surplus. Ten such have been formed in the last three years to write military personnel. He said he is not the most popular man in Texas because in addressing Austin Assn. of Life Underwriters he recommended requiring the licensing of both insurer and agent to solicit at army bases.

On Aug. 22 he wrote to each of the 125 domestic life companies in Texas asking if they write military business and what the percentage of such is to the total. He ascertained that 13 companies had gone into business for that purpose. One company had 99% of its business in this class and of that 76% was written on one division in one camp.

Mr. Butler said he may invite to a meeting at Austin representatives from the 30-40 military installations in Texas and outline the problem to them and give them whatever data they desire.

J. M. Dunaway, counsel of National Assn. of Life Underwriters, asked how Mr. Butler expected to tell these men how to separate the sheep from the goats — what standards would he outline? How can it be determined which companies should and which should not be permitted to write business without war clause?

Mr. Butler replied that he will avoid giving an opinion. He wants no law suits. But he will provide information to help the army people in reaching decisions.

Mr. Day said the military people raise the question that if full state licensing is required there will still be small speculative companies that will be cleared in certain places. The U. S. would want a uniform policy.

Mr. Day replied that the present situation breeds formation of companies that care nothing about their local reputations and that roam over the country.

E. J. Dirksen of the Illinois department said a specialist in selling army business boasted that he could sell 85% of the men he could talk to regardless of what company he was offering.

Hammel of Nevada said he got the officers of the bases in his state to agree not to let an agent on their precincts unless he had a state license. This has provided temporary relief, but the problem is constant due to the change in commanding officers from time to time.

Mr. Day read from a letter applying for a brokers license from a man that had been specializing on military business.

"You understand," the letter said in part, "we do not solicit any business only on government owned bases. Due to fact that some time ago I did write some bad checks when drinking in Colorado and had to pull some time on it and still have a parole to do may stop my getting license in your state. I want to comply with all regualtions of state."

At a meeting the next morning of the unauthorized insurance committee with Southall presiding, it was voted to continue the subcommittee and with Butler of Texas added as a member.

N. J. TBD Hike Fails to Pass

Bills that would have increased the maximum payments provided by the New Jersey temporary disability benefits law from $26 to $30 weekly failed to pass in the special session of the state legislature. A special committee was appointed to study the law and report back to the legislature during the 1952 session which convenes next month.

A bill to increase the allowance for the governmental agency administering the law from 6% to 8% of state fund contributions was passed. This bill became necessary when original estimates that the state fund would get to 70% of the plans were reversed when private carriers, not the state, actually got that percentage of the business. The governor will probably sign this bill.

Stowe to Leave L.I.A.M.A. for Publishing Co.

William P. Stowe, editor of L.I.A.M.A.'s publications, Managers Magazine and District Management, will leave his post in January to become vice-president and director of publications of Farnsworth Publishing Co., and the Notebook, Inc., of New York City. He will direct production of several external life insurance house organs.


W. P. Stowe

Mr. Stowe started with L.I.A.M.A. as staff assistant in 1946 and was successively associate editor and managing editor of Managers Magazine. When District Management was established two years ago, he was given the additional responsibility of heading this bimonthly publication. He has also been a member of the staff of the agency management school and has written several L.I.A.M.A. booklets, including "Prospects for Success," and "Let's Look at Life Insurance."

Mr. Stowe is a graduate of Dartmouth College and Stanford University. He was a teacher, newspaper man, and member of the U. S. Treasury war bond promotion staff before joining the air corps in 1942.

As yet no successor has been picked to head the two L.I.A.M.A. publications.

Sales Ideas and Suggestions

NO LOSS HERE

How Inflation, SS Can Be Used to Agent's Advantage

A sales approach that will make inflation work for the agent was explained by Harry Lerner of the Morris agency of Prudential in his talk, "Inflation and Life Insurance," at a meeting of Chicago Assn. of Life Underwriters.

As an example of his "inflation" approach, Mr. Lerner used an actual case involving a married couple in which the woman, age 36, had a whole life policy paid-up at age 70, with an endowment at 65. Her husband, 41, would be 75 when the policy became paid up.

Mr. Lerner asked Mrs. Prospect if she wouldn't agree, considering the current inflationary trend, that her dollar was worth only about 40 cents and, further, whether she would not agree that the $1,000 of insurance she now owned was worth only about $400.

With these facts agreed upon, he pointed out to her that since the value of the dollar has shrunk, her husband or children would have to get additional money elsewhere to pay the balance of the final expenses in event of her death. At this point Mrs. Prospect learns how "for a few pennies a day" she can eliminate the chance of her husband's worrying about such bills.

Would Welcome $500 a Month

Looking at the brighter side, Mr. Lerner pointed out that when she reaches 60, her husband, at 65, will begin collecting social security. A check at this time for $500 each month would be very welcome, said Mr. Lerner. He added that if prices returned to normal, the $500 might be worth $1,500 in purchasing power. Part of this money, he concluded, could be used for payment on policies still in force.

At the same meeting, the transition from a routine service call, used to explain how a client's present life insurance program could be complemented by social security, to an actual sales interview was developed by Lawrence J. Hateley of the Crowe agency of Metropolitan in his talk "The Social Security Approach."

Mr. Hateley's prospect already carried three policies of $10,000, $1,500 and $1,000, with other companies. He advised Mr. Jones that his new $10,000 policy could be left with the company under interest option—with the right of withdrawal—as an emergency fund. He set aside the other two policies for final expenses. He pointed out that the $100 a month family income plan purchased by Mr. Jones two years ago, when combined with social security benefits, would provide a monthly income of $200 until his daughter reached her 18th birthday. Mr. Hateley advised that the lump sum payable for the family income plan could be used to purchase a monthly income of $40 for Mrs. Jones until she reaches 65 and receives her monthly social security benefits.

Moving from the service explanation, Mr. Hateley entered his sales interview by casually asking Mrs. Jones whether or not she thought that with the $200 she could maintain her standard of living and at the same time educate her daughter. He then exploited the obvious gap in this kind of program by suggesting to Mr. and Mrs. Jones that they replace partial security with full security through another family income plan.

THE THREE 'M's'

Marriage, Mailer, Math Used in Prize Prospecting Lessons

How to guarantee a regular flow of 50 qualified prospects a week was explained by J. F. Crofoot, manager for Manufacturers Life at Baltimore, in his prize-winning technique in the prospecting contest sponsored by the company's publication, "News Letter."

Using the figure 5 in his planning, Mr. Crofoot usually averages 10 closing interviews weekly, and on that basis, can secure 5 new prospects a week.

He does not arrange for a closing interview until he has the names of five people previously selected by himself and screened so that he can be almost certain that his new prospect knows all of them. The problem is to qualify these five new prospects with his current prospect on a favorable basis.

If Mr. Crofoot's preliminary contacts with his current prospect have been at the home, he will select five of the most impressive residences in the neighborhood, and identify their occupants through the city directory or the cross-index telephone directory. On the other hand, where the preliminary contacts take place in his prospect's office, Mr. Crofoot explains that it is a simple matter to get the names of other men in the office, or men in similar types of business.

New Names Considered

At the end of the interview, whether or not a sale has been made, the five new names are brought to the prospect's attention in this manner:

"Mr. Prospect, I have with me the names of five people I would like to contact. I believe you know them, so before asking you about them I want to make sure once again that you have been pleased with my services and that you also believe that others in circumstances similar to yours might benefit."

At this point the name of each new prospect is discussed from the standpoint of the man's approximate age, income, family situations, etc. Then Mr. Crofoot asks the current prospect if he will make it possible for him to meet the five new prospects on a favorable basis, either by a personal introduction, letter of introduction or simply a telephone call. The same procedure is followed with each of the five new prospects.

Another contest winner, W. E. Neff of Calgary, Alta., uses a form of direct mail to obtain his sales leads.

Since Mr. Neff is in his 20th year as an agent, he had a self-addressed card printed featuring the anniversary below his picture in the upper left corner. Across the top of the card,——mailed to old friends and centers of influence—is the heading: "Here are the names of some of my friends who are really worth knowing. They are doing well and they are the kind of people with whom you would like to do business." The names and addresses of the friends can be listed in four spaces provided on the card, accompanied by the signature of the friend who makes the recommendation.

Astounding Results

According to Mr. Neff, the results in a campaign in which he mailed approximately 100 cards to old policyholders, were "really astounding." He explained that the idea could be used on any anniversary or on any other special occasion.

Photography has proven to be an excellent medium for prospecting for J. F. LoBosco, of Hamilton, Ont.

Mr. LoBosco obtains a list of scheduled weddings from the church and local photographers, and attends the weddings equipped with a movie camera. The weding principals are photographed at the church before and after the service.

Whenever the wedding story appears in the local paper, he clips the item and forwards it to the newly marrieds enclosed in his "Your in the News" folder with a note stating that he was going by the church and happened to take some colored movies which he would be happy to show them as soon as they returned from their honeymoon.

According to Mr. LoBosco, replies requesting the movies arrive at his office before he has the opportunity to follow-up. When consenting to show the pictures, he suggests that all members of the wedding party be present.

Photographs Family Activities

In addition to the wedding films, colored movies of baptisms and other family activities are used where a higher income father is concerned. Still photos of children enlarged from the films also provide an easy approach for Mr. LoBosco.

An example of "process" prospecting in which the agent can trace prospects just as merchandise can be traced from retailer to wholesaler, wholesaler to manufacturer, manufacturer to the person handling raw materials, was given by another prize-winner, S. Wood of Manchester, England. Using this method, Mr. Wood has found several promising "nests" whose existence, he says, would otherwise have remained undetected.

Federal L.&C. Tries Juvenile Christmas Gift Certificate

Federal L. & C., in a unique bid for the juvenile market, has started a campaign to sell juvenile on a Christmas gift certificate basis. Company agents have all received promotional and sales material to aid them in this drive. The material includes a two-color brochure "How to Make Dreams for Your Boy or Girl Come True" to circularize prospects. With each policy sold goes an engraved gift certificate printed on a good grade of vellum to be given to the child on Christmas morning.

McLain Reports on Security Benefits

(CONTINUED FROM PAGE 13)

increase their agency expenses just because of the added limits.

Growth is essential to a small company so that it may reach the point where its unit expense rates will be comparable with those of the large companies, according to the committee's statement.

GENERAL LIMIT

The general expense limit in the proposed new statute covers all expense of a company except agents' compensation security benefit costs; medical and inspection fees; taxes, licenses and fees; investment expenses (general investment expense is limited to three-tenths of 1% of mean invested assets); accrued liability payments on account of pension plan. The exceptions listed, other than that dealing with agents' compensation, vary somewhat in specific detail but not in intent from the corresponding provisions of section 213.

The proposed revision also recommends an increase in the limit on investment expense from one-quarter to 1% to three-tenths of 1%. This increase is recommended partly because of increased investment costs arising from the resulting changes in investment portfolios occasioned by recent developments in the investment field; and partly in recognition of a greater general tendency toward experimentation with new types of investment for life companies.

Specific Allowances Listed

The basic allowance for general home office expenses is $1 per policy and $1.25 per $1,000 of insurance in force ($1 per $1,000 of insurance in force in excess of $10 billion), plus a specific allowance for handling death claims, disability claims, settlement options and annuities. A graded extra allowance largely for the benefit of small companies is also included.

These basic allowances can be illustrated as the equivalent of 5% of premiums on regular premium paying insurance according to the statement. On paid up insurance the basic allowance is $1.25 for each $1,000 of this insurance.

The specific allowances for death and disability claims, supplementary contracts and annuities are consistent with the actual expenses incurred in connection with these items by New York companies which have made careful expense analyses, according to the statement. The McLain committee recommended specific allowances for these expenses in place of making an average allowance for them and a general formula as being equitable treatment of all companies.

Average Allowance's Defects

An average allowance could result in excessive limits for some companies and inadequate limits for others. A young and raapidly growing company has very few death claims and very little consequent expense while an old, well established company has a substantial expense in connection with paying death claims. Similarly a company that sells insurance through programming is certain to have more expense in connection with settlement options as contrasted with a company selling only small policies payable in one sum.

The formulas described in the proposed law apply only to ordinary insurance. Special commission and total compensation limits are recommended for the monthly debit insurance to which the proposed statute would apply.

There is no reason, according to the McLain statement, to believe that the companies will use up the larger margins under the new law simply because they are available. During the period 1930-45 few if any of the companies used up the available margins for home office expenses. However, with the continued trend toward a higher price level, it may be necessary to use some part of the additional margin. The factors which control home office expenses to a very great extent are clerical salaries, rent and the cost of equipment and supplies. Under present day conditions, the statement points out, these are largely beyond the control of companies.

PROVES REASONABLENESS

The fact that the basic allowance for home office expenses in the proposed statute of only 5% of premiums gives reasonable margins indicate that the home offices of life companies doing business in New York are now being operated economically and there is every reason to believe that they will continue to be so operated in the future.

"Life insurance companies should not be forced to employ people at substandard salaries," the statement declared.

The test of compliance with the agency and general expense limits is required to be made each year and includes not only the expenses and limits of the current year but also of the preceeding year. Use of two-year periods should give more meaningful results and should avoid difficulties for a company that has unusual and non-recurring expenses any particular calendar year, the statement says.

Training Allowance Provision

Mr. McLain in his prepared statement called attention to the training allowance provision of the proposed statute. This is over and above the maximum legal commission for established agents. It embodies a limitation as to the total amount of such training allowance and requires that the amount be met out of the agency expense limit. This limitation is either 5% of the agency expense limit for the preceeding calendar year or 30% of the first year premiums excluding single premiums, paid during the calendar year on business written by such agents, whichever is greater.

It is also provided that no plan of thus financing new agents be permitted until it has been approved by the insurance superintendent. Moreover, to make sure that this additional allowance is used only as the law intends, a new agent is defined as one who has not been a full-time life agent more than six months in the five years immediately preceeding commencement of his services with the company as an agent.

Flexibility for Future Changes

The McLain committee, in its study of the proposed revision, considered it essential to provide greater latitude to meet changing economic conditions without the necessity of frequent amendments of the statute, as has been the case in the past. To achieve this, the draft bill provides the superintendent with authority to adjust, up to a defined maximum, the limits on both agency expenses and general expenses of any company in need of adjustment in the event of a rise in the general price level which increases the cost incurred by all companies. These limits control those expenses which experience has proved to be the ones mainly affected by inflationary influences.

The proposed law would make it somewhat easier for many non-admitted companies to enter New York, particularly those that pay higher first year commissions than is now permissible under the New York law. Additional margins are available to small companies for managerial and other agency expenses, although not for soliciting agents' compensation.

The specific limitation on commissions applying only to soliciting agents would enable general agency companies to establish new agencies on the usuaal baasis more easily. The greater emphasis placed on volume of business rather than on amount of premiums in computing agency and general expense limits affords additional relief to low-premium companies, particularly those operating on a non-participating basis. Many of the larger companies not now operating in New York are in the latter category. The law would provide increased flexibility in arranging agents' compensation.

The committee's statement emphasizes that the proposed law would not require any company to increase the cost of insurance to the public and even though it is possible for most companies to increase agents' compensation it does not follow that the net result will be an increase in the cost of insurance, since companies are highly competitive and there is tremendous pressure on the management of each company to keep expense rates down.

"In considering this problem, we must always differentiate clearly between the absolute amount of expenses and the unit expense rates," the statement points out. "It is the latter which affects the cost of insurance."

Four Elected to L.I.A.M.A.

Caisse Nationale D'Economie, Montreal; Central Standard Life, Chicago; Gibraltar Life, Dallas, and Great Northwest Life, Spokane, have been elected to the L.I.A.M.A.

Progress Made in Survey of A. & H. Policy Approval

NEW YORK — The survey which the New York department is making for N.A.I.C. on the problem of A. & H. policy approval it is hoped can be completed in time for the June meeting, William C. Gould of the New York department told the N.A.I.C. interstate cooperation committee at its session here Tuesday morning. Stone of Nebraska presided.

Mr. Gould said New York representatives have visited 12 states and have questionnaired the others. The task has been slowed down because the data furnished by some states has been incomplete and other states have not responded at all. However, most of the latter have indicated an intention to respond.

Mr. Stone said the purpose of the study is to ascertain if the policy approval work can be expedited, especially in connection with policies that are for use in many states and in states that have uniform laws.

Cost Question Analyzed at Sec. 213 Hearing in New York

(CONTINUED FROM PAGE 1)

is expected to be heard at the next hearing, probably to be held after the first of the year, after Superintendent Bohlinger and his staff have had a chance to study the transcript of last week's hearing.

However, the department is known to feel that the proposed change making agent's compensation dependent, for all practical purposes, solely on the limits specified in his contract will put the companies under new and much stronger pressure to pay the top amounts permitted by law.

Because so many companies have increased their commission scales in recent months, some uncertainty has been introduced into comparisons between present practice and what might be expected to result if the proposed changes in the New York law should be adopted. Consequently the New York department this week queried all New York-admitted companies, asking for their present compensation scales.

McKinney Sets the Stage

Gordon D. McKinney, vice-president of Security Mutual Life of Binghamton, N. Y., and former actuary of National Assn. of Life Underwriters, was the first witness. He appeared at the committee's invitation to give it an objective account of the present law, the proposed law and the changes that might be expected to result. He submitted a copy of his presentation in advance to the Condon committee and it was reported at some length in last week's issue.

Though obviously reluctant to hazard a guess on something so important and so elusive, President James A McLain of Guardian Life, chairman of the Life Insurance Assn. of America and American Life Convention joint committee on revision of section 213, said his best estimate— which he emphasized could be only a guess—was that the cost to policyholders might rise as much as 5% of one year's premiums if the proposed law went into effect.

Excludes 5% Provision

This figure contemplated the inclusion of security benefits within the first-year commission limits proposed by the companies and did not take into consideration the 5% provision for security benefits outside of commissions but within the agency expense limits which has been proposed by N.A.L.U. and included in the bill introduced by Senator Condon last winter at the request of N.A.L.U. The companies' bill does not contain the 5% provision.

Senator Condon asked Mr. McLain what he thought the provision for training allowances would do to insurance costs. Mr. McLain said that he could not answer but opined that if a training program is well worked out it will save money instead of costing money.

Asked by Mr. Bleakley if the limits in the companies' bill are sufficient to absorb the security benefits desired by the agents, Mr. McLain said they were not.

Agents' Income a Mystery

Mr. Bleakley expressed some surprise that though the companies' committee has been at work on the section 213 revision since 1948 it has been unable to find out how much agents were being paid 10 years ago. Mr. McLain pointed out, however, that his committee's agency subcommittee had delved earnestly into this matter but had had to conclude that there were no figures available that would stand scrutiny and no clear way to find out what an agent's costs are. Mr. McLain mentioned the various sources of income that an agent may have, including surplus writings, that make it impossible to pin down figures that are worth anything.

Senator Friedman at this point said that Mr. McLain's explanations were very impressive and without hearing the insurance superintendent it seemed as if there has been increases in expenses and that the smaller companies need some help. Friedman, however, still wanted to know how much the proposed changes could cost at the maximum or might reasonably be expected to cost.

PRICE RIVALRY KEEN

Mr. McLain responded by calling attention to the remarkable record of the companies in holding down costs and said that "I think you can trust the life insurance companies to pass along to the policyholder as little of the increase as possible." He remarked that companies have to restrict what they do in raising costs or they will price themselves out of the market.

Friedman, however, remarked that when a policyholder pays "more than he should" for insurance and hopes to get it back in dividends, "we have got to be a little bit careful when we are talking about figures in the $70 million increase range." This was another reference to the maximum increase figures cited in the World-Telegram article.

Mr. Bleakley asked Mr. McLain if his committee had any figures to show the cost of insurance among New York-admitted companies as compared with non-admitted companies. Mr. McLain said he hadn't and Mr. Bleakley asked him to obtain them.

This concluded Mr. McLain's presentation. His formal statement is summarized elsewhere in this issue.

E. J. Moorhead Speaks

E. J. Moorhead, executive vice-president of United States Life, spoke for the relief that would be afforded the smaller companies by the proposed revision. Asked by the committee for a definition of what a smaller company is, he said that probably $500 million in force could be regarded as the line between a small and medium sized company. He endorsed the work of the McLain committee and said the smaller companies are extremely indebted to it. He pointed out that the smaller companies had only one representative on the committee.

Asked by Senator Friedman how much the changes would probably cost the insurance buyers, Mr. Moorhead said that as far as U. S. Life's policyholders in the United States are concerned, the changes would add nothing to the cost for present policyholders, since policyholders are on a non-participating basis. As for future policyholders, he said that he would also answer "nothing," "but less categorically," an answer that got quite a laugh.

Must Keep in Line

He pointed out that being in competition with large guaranteed cost companies, U. S. Life must stay closely in line if it is to compete. Hence, no great increase need be expected even if the law goes through. The main effect would be to give the company some relief from the so-called "inside limit." He said that "what we are particularly interested in is the type of law rather than in an increase." The smaller companies want to be able to give the general agent the fruits of his efficiency and to get away from the type of policing that is currently involved in connection with vouchered expenses and that often causes an unhappy relationship.

Richard C. Guest, vice-president of the Massachusetts Mutual, speaking as a representative of a general agency company, heartily endorsed the plan to remove the tie-up between the general agent's commission and the agent's. He said it had cost a lot of "confusion and heartache." The present law, he pointed out, makes it extremely difficult to get a man to take on a general agency on the traditional basis because he has to go into debt, as a rule, and then has to repay the debt off the top income in his tax bracket. It is not good business that every time a company appoints a man as general agent he should have to go into debt, Mr. Guest said.

BOOSTS INEVITABLE

Changes in compensation would be made even if there were no talk of revising section 213 said Mr. Guest, although he said there is no doubt that the discussion has intensified the interest in changing the section.

Senator Friedman asked Mr. Guest what he thought the proposed changes would cost insurance buyers. Mr. Guest said that he felt there would be some increase in agents' compensation and that some of it would be offset by greater efficiency and economy in other directions, although he didn't expect all of the increase to be offset. Senator Friedman said he would like to be in a position to answer such figures as the $70 million maximum increase figure cited in the World-Telegram article.

Mr. Guest said he felt the latter figure was grossly misrepresentative of probable increases in cost. He said that Massachusetts Mutual believes some increases in agents' compensation are ahead but that it has room in the present law and is interested in a change not so much because of the level of the limitations but because of the convenience of the proposal.

Calls $70 Million "Baiting"

Senator Condon expressed agreement with Mr. Guest's opinion of the World-Telegram's $70 million figure as being a gross overstatement.

"I feel that that was just a figure thrown out by somebody with a grievance," said Condon.

"You mean they are trying to bait us a little?" asked Mr. Guest.

"Yes," answered Senator Condon, "that's what I mean."

M. Albert Linton, president of Provident Mutual Life and a member of the McLain committee, took issue with the idea that the 3% service commissions payable after the 15th year could be regarded as vested or that they could be paid to anyone a manager wanted to pay them to. He said the law specifies that the 3% is a collection or service fee and that it is "as clear as daylight" that this implies the personal presence of the agent.

Calls 100.7 Incorrect

In view of this, he criticized as incorrect the concept that a company can pay 100.7% of one year's premium as the maximum under the present law. He cited a hypothetical agency down to its last agent, with $10 million in force on orphan policyholders and $1 million on the agent's policyholders. There would be no hitch to the agent's getting the $900 service fees on his own business but if the manager wanted to pay him $9,000 on the $10 million of orphan business it would certainly not be permissible under the law.

The distinction between the vested and non-vested status for the continuous 3% service fees is important in appraising the difference between what can be done under the present law and under the proposed revision. If the 3s are vested, they are equivalent to 10.1% of one year's premiums. Since the present maximum of 55% first year commission, nine 5% renewals and five 3⅓s has a present value of 90.1% the addition of 10.1 points would bring the maximum under the present law, for branch office companies, over 100% of one year's premium.

CUTS VALUE

However, if the 3s are regarded as non-vested they have a present value of only 2.8% of one year's premium. This, added to the 90.1 figure brings the permissible maximum under section 213 to only 92.9%. Hence, the increase in the permissible maximum resulting from the enactment of the proposed article IX-F, which would provide a top of 97.2, would be 4.3% of one annual premium.

This would be about $1.35 on an average premium of $30. Spread over the life of a policy, it would be equivalent to 10 to 15 cents per $1,000 per year resulting from permissible increases in the rate to the soliciting agent.

Mr. Linton said that a five-point increase in the present value of commissions paid to agents would work out to about 15 cents a thousand a year additional premium to policyholders.

Sees 5% as About Maximum

Mr. Linton said he would be surprised if the increase would be much more than 5%, as some companies are already near the top of what they can pay under the present law. He said it is anybody's guess what the situation would be if the law were changed but he conceded the psychological forces in the direction of change would be greater than they are now.

If the cost were to go up, however,

Mr. Linton denied there would be any effect on dividends to holders of polices already on the books. Any increased costs would be charged against new business, though first it would be borrowed from surplus and later recovered through lowered dividends on new business, should that be necessary.

Mr. Linton expressed opposition to jettisoning section 213, saying he thought it could be amended to achieve the aims sought in article IX-F. He agreed that there should be training allowances.

Offsets to Lower Scales

Asked if agents of general agency companies get less than those of managerial companies, he said that an agent might well figure that the service, help and training he gets from a general agent might make it worth his while to take a little less in commissions.

As for security benefits, Mr. Linton said there is some merit in getting them out on their own and not loading them on the service fees. The service fees, he said, should be separate. He said the more he heard the matter discussed the more he felt they should be separated.

W. J. November, 2nd vice-president and associate actuary of Equitable Society, which he said is about 90% branch office and 10% general agency, opined that the agency and over-all limits would be about the same under the proposed bill as under the present one but he was impressed with the number of small companies that had asked for a change and he felt it should be granted because competition is a good thing.

For Separating Limits

He spoke emphatically for the separation of agent compensation limits from other limits and said that overlapping limits have been found to be unhealthy, for agents sometimes feel that they are not getting more than they do because the company is spending money on other phases of its work.

Mr. November said he realized that the change might produce an increase in cost beyond the present law but only a modest difference at the most. He called attention to the growing national consciousness regarding security benefits and observed that the present limits could not have contemplated costs for security benefits. Besides that, the trend in living costs is up and the law should be one that permits adjustments.

MENGE'S VIEWS

W. O. Menge, 1st vice-president of Lincoln National and a member of the McLain committee, whose prepared statement was reported briefly in last week's issue, said in answer to a question by Friedman that controls should be limited to over-all controls and not applied to the various "pigeon-holes." Considerable discretion should be left to management, he said.

"Don't you think that would lead to extravagance?" asked Friedman.

"You must remember that this is a competitive business," said Mr. Menge.

The National Assn. of Life Underwriters' presentation had Spencer L. McCarty, Provident Mutual, Albany, as lead-off man. He is chairman of the N.A.L.U. committee on agents' compensation and executive secretary of the New York State Life Underwriters Assn. The N.A.L.U. brief was summarized in last week's issue.

After a brief introductory talk, Mr. McCarty called Henry Peirce, Massachusetts Mutual, Indianapolis, past president of the Indiana Life Underwriters Assn., to testify on the effect of the rise in living costs and business expenses on the net income of a career agent.

Expenses 40% of Gross Income

Mr. Peirce said that his expenses were 22% of his gross income in 1941 but in 1950 they amounted to 40%. He also gave an example of how an agent today is expected to serve his orphan policyholders, often with little chance of anything but a "thank-you" as his reward. He said that the agents must have relief if they are to maintain their dignity and any semblance of professional status.

The committee asked to see Mr. Mr. Peirce's income figures, which he did not disclose in his testimony, and then Senator Friedman indicated that he was more interested in the troubles of the lower-income strata of agents than of those in Mr. Peirce's income bracket.

B. N. Woodson, managing director of N.A.L.U., said that the agents are "asking the boss for a raise," that the agents feel they have earned a raise and have got to get legislation that will permit it.

Mr. Woodson emphasized that the pending measure is a compromise between what the more liberal and the more conservative members of N.A.L.U. wanted.

Interests Out of Balance

Mr. Woodson said the association is fully aware that the interest of the policyholder is paramount but under the present law the interests of the policyholder and the agent have gotten out of balance, which the proposed measure would restore.

Mr. Woodson said that N.A.L.U.'s estimate of the probable increase in commissions to agents was 5% of one annual premium, including the security benefits provision in the bill introduced at N.A.L.U.'s request earlier this year. He said that one reason for this 5% figure was that N.A.L.U. values the present law as producing a somewhat higher maximum than some others have done.

Mr. Woodson said that N.A.L.U. recognizes that the changes could cost the policyholders eventually as much as $25 million a year countrywide and $3 to $4½ million in New York state but that such an increase was no more than reasonable and it might be far lower than that, anyway. He made the point that this is only about $250 to $300 a year for each agent and will not be that much immediately, as the agent will have to wait a good many years to get the full increase.

WHY ONLY THE AGENT?

"Why should life insurance of all commodities be bound to a rate of 20 years ago?" he asked. He cited increases in the cost of milk that in a single jump added $23 million to milk costs in the New York metropolitan area alone. He emphasized that milk drivers are not limited by New York law to the same reward per bottle that they got 20 years ago.

Mr. Woodson said that the increase in agents' compensation should be substantially less than $25 million a year because it would bring about economies and efficiency not possible at present. He pointed out that it is sometimes possible to increase certain costs or introduce new costs and still bring about an over-all reduction. For example, it is now necessary to induct five men in order to have one good agent left five years later. If it were possible to have two men out of five at the end of five years, that alone might be enough to offset the increase in cost, he said. Better agents would also bring better persistency, he said, citing figures to show the way that persistent business reduces acquisition cost.

Mr. Woodson mentioned the unrest among agents at the present law's restrictions and said that it was greatest among agents in states other than New York.

Valentine Howell, executive vice-president and actuary of Prudential and a member of the McLain committee, asked that the Condon committee consider the revision of section 213a, which deals with industrial insurance, along with the proposed revision of section

213. Mr. Howell said that the McLain committee had devoted most of its time to section 213, feeling that once the pattern was set it would be a relatively simple matter to draft a corresponding revision for the industrial business limits. He stressed the urgency of doing something about section 213a at the next session, saying that he wouldn't be surprised if one or more of the large industrial-writing companies went over their margins in 1952. He said a draft had been completed only a few months ago and submitted to the insurance department.

Senator Condon wanted to know why a copy was not also given to his committee at the same time, and Senator Friedman got quite a laugh by saying: "You see, Mr. Howell, even though we have no television we don't want to be ignored; we never know when we might be running for president of the city council."

Irving Abramson, counsel of the Insurance and Allied Workers Organizing Committee of the CIO, expressed regret that the Condon committee felt it did not have enough time to consider section 213a, as he said there is more need for revising 213a than 213. He said that limitations on the compensation of agents are a perversion of the original intent of the Armstrong laws, which was to prevent extravagance. Mr. Abramson stressed the fundamental conflict between the labor laws designed to promote collective bargaining and the restrictions imposed by section 213a.

He said that in bargaining conferences with companies, representatives of the latter have said that the union's demands were reasonable, that the company had the money to pay higher compensation but that the New York laws prohibited it.

"It is incredible that the laws should take one small group in the economy and set them aside in an economic vacuum," said Mr. Abramson.

He questioned the constitutionality of a law "that prevents one small group in the economy from doing something that is absolutely vital to them."

Mr. Abramson attacked what he called a double standard, pointing out that life companies pay market prices for everything else they buy except the commodity of labor in the field force.

AFL Man Testifies

George L. Russ, president of the Insurance Agents International Union, AFL, said that in his union's negotiations with Prudential the company stated that it could not grant a substantial increase without violating the New York law. In effect, section 213 is a national law even though the United States Supreme Court has held insurance to be interstate commerce, he pointed out. It is unfair, and to a California agent, for example, incomprehensible and unjust that he is deprived of the benefits of collective bargaining because of a New York law.

"We are no longer dealing with relationships and abuses that existed in 1906 or even in 1940," he said.

Asked by Senator Friedman if he believed in an expense limitation, Mr. Russ said he favored only an outside expense limit. Answering another question, he said that while Prudential figures show industrial agents averaging about $98 a week, the range goes down as low as $60 to $65 a week.

Other witnesses were Roger Hull, executive vice-president of Mutual Life, who discussed the effect of training allowances and agency margins and general expense margins and problems of small companies under the proposed law, and Douglas Bell, assistant counsel of Paul Revere Life, who objected to a provision of the proposed law on the grounds that it would adversely affect life companies that do a large amount of A. & H. business in proportion to their life business. Their presentations are covered elsewhere in this issue.

B. M. Anderson, vice-president and counsel of Connecticut General Life, said that his company is being squeezed by section 213 through a combination of circumstances resulting largely from the fact that subsection 5(b) uses in its general expense yardstick the American Men Ultimate table of mortality in computing the so-called loading under the subsection.

This table does not accurately reflect current mortality but its use results in an unrealistic limit being set for a company such as Connecticut General that does both a participating and non-participating business in New York and which is currently issuing throughout the country a relatively small percentage of participating business. It does not affect stock companies doing only a non-participating business in New York because they are specifically exempted from operation of subsection 5, nor does it affect mutual companies or those doing a substantial part of their new business on the participating plan because the margins on the participating business are adequate to offset the inadequate margins on the non-participating side.

Mr. Anderson said the proposed complete revision of section 213 would give Connecticut General the necessary relief because there would be nothing equivalent to subsection 5(a) but he said that Connecticut General does not want to have its status in New York after 1952 dependent upon the enactment of the revision. For that reason he asked remedial legislation on an emergency basis.

He indicated that the most desirable amendment to section 213 to meet this problem would be the complete elimination of subsection 5(a) or the exemption from the section's operation of all stock life companies. Next best would be an amendment stating that a stock life company with less than, say, 35 or 40% of participating business of current issue would be exempted from subsection 5.

Training Expense Necessary—Hull

(CONTINUED FROM PAGE 3)

expense limit has been redesigned to place it on a more realistic basis, giving a smaller margin on renewal business than the present law. The net effect is that taking the eight largest branch office companies, four of them obtain a larger margin and four, including Mutual Life, obtain a substantially smaller margin for agency expenses than under the present law. The reasons for these differences lie in the different rates of growth and in the different methods of operations of these companies.

Mr. Hull pointed out that under the present law it is possible for a slow-growing company to carry an extravagant agency operation without infringing the limit. At the same time, it might be quite difficult for a rapidly growing company to comply with the limits even though it was operating on a perfectly sound basis.

The general expense limits are also out of date, taking the seven large branch office companies to which the limit applies, five of them would receive a larger margin than at present, and two, including Mutual, would have a substantially smaller margin. In the aggregate, for all companies, there would be an increase in the margin of less than 10%. Mr. Hull said he didn't believe this change would result in any alteration in the nature of a company's general expenses or its administrative procedures.

Speaking for the relief that the proposed law would afford the smaller companies, Mr. Hull said he believes competition is healthy for the business and will result in better service to the public at the lowest possible cost.

"It is my belief," he said, "based on personal observation in the field, that aggregate sales increase as the number of companies competing in a given area increases. If you have a statute which restricts competition you destroy the very situation which has made the life insurance business what it is today. It was not the purpose of the law, as I understand it, to prescribe the kind and form of compensation, nor the management philosophy under which a company will operate. It was the intent of the law, I believe, to place an over-all limit on agency expenses and on total compensation."

War Death Pool Agreement Drafted

(CONTINUED FROM PAGE 1)

amount of insurance less the reserves. In actual practice a company would balance its contributions to the pool against its claims on the pool and would remit or collect only the net amount involved. But for simplicity it may be easier to think of the pool as actually receiving the full contribution necessitated by the year's catastrophe deaths and paying out the full amounts of claims for which it would be liable.

Thus, should there be a disaster that would involve claims on the pool not exceeding the maximum contribution of $5 per $1,000 of amount at risk, each company would, in effect, contribute its prorata share to the pool, based on net amount at risk, and have the right to collect from the pool enough to take care of all its war catastrophe losses, defined as claims due to the catastrophe less the reserves on the policies involved.

For example, if the pool's aggregate catastrophe losses in a year were equivalent to $4 per $1,000 at risk, a company with catastrophe losses of $1 per $1,000 at risk would put in $4 and get back $1 for each $1,000 at risk. A company with catastrophe losses of $4 per $1,000 would put in $4 and get back $4, while company C, with $6 of losses per $1,000 at risk, would put in $4 and get back the full $6.

In the event losses to the pool should exceed $5 per $1,000 at risk, the funds made available through the full $5 per $1,000 in catastrophe losses would pay be prorated among pool members according to their catastrophe losses. For example, if catastrophe losses aggregated $6 per $1,000 at risk, each company would, in effect, pay in $5 and collect five-sixths of these catastrophe losses. A company with, say, $3 per $1,000 in catastrophe losses would pay in $5 and collect $2.50 per $1,000 of such losses. A company with losses of $6 per $1,000 would pay $5 per $1,000 and collect $5, while one with $12 per $1,000 in loses would pay $5 and collect $10.

Of course, regardless of whether the catastrophe losses exceeded the $5 per $1,000 figure or were less than that each company would remit or collect on a net basis rather than the "put and take" method outlined above purely for illustrative purposes.

Group A. & H. Needs Closer N.A.I.C. Scrutinization

(CONTINUED FROM PAGE 3)

be reasonably expected if this type of employment increases. At the same time, inflation is seriously reducing the margins that might otherwise be available to cover this increased morbidity. The dollar amount of the average claim has increased, principally as the result of the increased cost of medical care. Concurrently, operating expenses, such as wages, rent and the cost of material have gone up substantially.

It is desirable that any action taken to make insurance reserves mandatory be uniform among the several states and be applicable to all companies. Missouri by regulation now requires a specific contribution toward contingency reserves for group A. & H. business written by life companies. New York has authority under its law to prescribe minimum premium rates but has not as yet exercised this power. The Missouri ruling is seemingly applicable only to business written in the state, while the New York law, if implemented, would have extra-territorial effect. The Missouri ruling is applicable only to life companies while the New York law is applicable to all companies.

A trend toward statutory requirement of such reserves has also made its appearance in some states, including Massachusetts and New York.

HERE'S YOUR PROSPECT

He's 35 years old, married and has two children.

He plans to retire at age 65 and would like to make provision for that retirement, now. At the same time he must think about providing Life insurance protection for his family while they are growing up.

He is fairly sure that he'll receive a pension upon retirement, but wonders what will become of his widow in the event she outlives him after his retirement.

HERE'S WHAT YOU CAN OFFER HIM

THE TRAVELERS
INSURANCE COMPANY
HARTFORD, CONNECTICUT

Number SPECIMEN   Cash Settlement $ 8,450
Insured JOHN DOE
Contract Date DECEMBER 1,1951 Age 35
Amount $ 10,000   Premium $ 281.40 Each Year For 30 Full Years
Beneficiary MARY DOE, WIFE
as stated in application unless subsequently changed in accordance with provisions of the contract.
Insurance to Age 65 with Cash Settlement at Maturity   Non-Participating

$10,000 of Travelers Cash Settlement.

At age 35 his annual premium will be $281.40.

For 30 years, his family is protected by $10,000 of Life insurance.

At age 65, he can get back every cent he put into premiums, either in a lump sum or as a monthly life income.

Or, he can take $10,000 of Paid-up Life insurance plus $910.00 cash, for the protection of his widow in the event of his death after retirement.

Rates and values slightly different in Canada.

The Travelers Cash Settlement Life Contract offers your clients and prospects economical protection for both death and dependent old age. You'll find this contract has a genuine appeal to prospects.

For further details, consult the nearest Travelers Life Manager or General Agent.

THE TRAVELERS INSURANCE COMPANY • HARTFORD CONNECTICUT

Why there is nothing at Christmas-time like a

Willard Tree

THERE WERE a good many places in town where you could buy a Christmas tree. The markets had them and the florists had them and there was a vacant lot down the street where they sold them every year.

But Bob and Mary Travis preferred to drive through the snow to the Willard Nursery up in the country outside of town.

An expert in such matters would probably tell you that the trees sold at the Willard Nursery were no bigger or greener or fuller than the ones sold right around the corner. But to Bob and Mary Travis, Christmas would not be Christmas without a Willard tree.

They would bring it home trailing out of the luggage compartment of the car. And when they set it up in the living-room and started trimming it, they would both say what a lovely tree it was—and agree, as they had so many times before, that there was nothing like a Willard tree.

They had said so, now, for over twenty-five years. Because it was over twenty-five years since Bob Travis had sold his very first life insurance policy to Ben Willard. Bob was then just starting in as New York Life agent, and Ben was just starting the nursery up in the country outside of town. Bob had pointed out to him how the insurance might well serve as the foundation for ease and security in the Willards' later years . . . how the Willards might some day look on the nursery as a hobby rather than an occupation.

As time went on, the two men worked out even broader plans. And, as time went on, it had been fun for Bob Travis to see those plans work out on schedule. Now, as a result, the Willards were able to take winter vacations down South. And later on . . .

And that is why you can't always judge a Christmas tree by its size or its shape or the greenness of its boughs.

You have to allow a little bit for sentiment.

NEW YORK LIFE INSURANCE COMPANY
51 Madison Avenue, New York 10, N. Y.

Naturally, names used in this story are fi